



Doing Business in India:

2013 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business in India

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Market Overview

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The Republic of India is one of the world's most politically-active democracies and the tenth largest economy. It is the third largest Asian economy after China and Japan. Among the major emerging markets of Brazil, Russia, India, China, and South Africa (BRICS), India ranks second in terms of economic growth with the IMF forecasting a GDP growth rate of 5.7 percent for 2013. It is the second most populous country in the world with approximately thirty percent of its 1.2 billion inhabitants residing in urban areas. India's industrialized economy encompasses diverse manufacturing sectors (steel production, oil and gas refining, auto, plastics, textiles) that contribute just 18 percent to a GDP that also includes traditional village farming, agriculture, and handicrafts. The services sector, especially information technology, continues to be the major source of economic growth. Services account for more than half of India's GDP output and employ less than one third of its labor force, currently estimated to be 471 million workers, making it the second biggest workforce on the planet.

India is the 18th largest export market for U.S. goods. Led by civil aircraft, engines, equipment and parts, U.S. goods exports to India in 2012 reached \$22.3 billion, up 3.9 percent from the previous year. Corresponding U.S. imports from India, primarily diamonds, pharmaceuticals, and petrochemical products, totaled \$40.5 billion, up 12.1 percent. Preliminary data show that U.S. exports of private commercial services (*i.e.*, excluding military and government sales) to India stood at \$12 billion in 2012 and U.S. imports were \$17.7 billion. Total two way trade in goods and services is expected to top \$100 billion in the near term. The stock of U.S. foreign direct investment (FDI) in India was \$24.7 billion in 2011 (latest data available), down from \$24.8 billion in 2010. U.S. FDI in India is largely in the professional, scientific, and technical services, finance/insurance services, and the information services sectors.

The Indian economy has posted an average growth rate of 6.9 percent since 1998, and according to the Government of India, reduced poverty by about 10 percentage points to 29.8 percent. Dependent on services exports and private domestic consumption, India's 2012 GDP grew approximately 4.5 percent, reaching \$1.945 trillion with a GDP per capita of \$1,592. The World Bank estimates India's 2013-14 GDP growth at 6.1 percent. Economists estimate that creating jobs for millions of its citizens in order to alleviate poverty in India requires economic growth of 7 to 8 percent per year through 2020, the year India is expected to overtake China as the most populous nation on earth. In 2011, economic growth in India began a quarter-on-quarter deceleration from 8.5 percent GDP growth in 2010 to what many believe was the bottom at 4.5 percent GDP at the end of 2012. Supply side constraints, policy paralysis, and the government's inability to roll back the 2008 fiscal stimulus programs that contributed to the surge in the fiscal deficit contributed to the downturn. However, experts speculate that the Indian economy will grow faster in 2013 compared to 2012 due to business and investor friendly reform measures announced recently by the Indian government. Under the threat of a stalled Indian investment cycle, a possible credit rating downgrade over a burgeoning fiscal deficit, and a rising current account deficit, the government relaxed foreign investment rules in sectors such as retail and civil aviation and set up a ministerial panel to fast-track implementation of large industrial and infrastructure projects. Political fallout over the decision to implement FDI in the multi-brand retail sector resulted in the loss of political allies in the parliament. Nevertheless, Prime Minister Manmohan Singh expressed confidence that the government will pass long pending reforms needed to reverse the country's worst economic slowdown in recent years.

Restrictions on single-brand retail were relaxed; the Government of India on a case by case basis has been known to adjust the requirement to source a proportion of inventory from domestic industry, a factor which discouraged foreign investment. Opening up the domestic aviation sector to foreign investment should help to ease indebtedness of the industry (estimated at \$20 billion in 2011/12), and in turn should ease some of the pressure on public sector banks, which have a large degree of exposure to domestic airlines. The government also raised the FDI cap in broadcasting services (to 74 percent, from 49 percent previously). The Indian government also approved the sale of stakes in state-owned companies in the aluminum, oil and copper sectors.

The Government of India continues to consider laws that would allow foreign investment in the pension sector (49 percent) and raise the FDI cap on the insurance sector (to 49 percent, from 26 percent currently). With the 2011 introduction of a new land acquisition bill, the government began the process of reforming and modernizing hundred year old land acquisition rules. It is also taking an across the board review of FDI caps that can be removed or relaxed without legislative action. The reform efforts were welcomed by business leaders as a signal that India is "open for business." But much remains to be done.

The 2012 nominal exchange rate was 53.38 Indian rupees per 1 USD. According to the 2013 Indian Government Economic Survey, unemployment reached 6.6 percent in 2010, however, as much as 90 percent of total employment is in the informal economy. Minimum wages in India vary from state to state and range from \$130 per month for unskilled workers to \$160 per month for skilled workers. Among the professional ranks rapidly rising salaries with generous perks (cars, housing allowances) have generated high turnover.

An increased security presence in urban areas combined with conservative monetary and fiscal policies have allowed India to become one of the more stable economies in the region and thereby lessened the impact of the ongoing global economic downturn. Despite persistently high inflation of 7.5 percent in 2012 for wholesale prices, India's growing middle class and its relatively stable political environment compared to its neighbors makes it an attractive destination for U.S. companies.

Principal U.S. interests run the gamut of industry sectors. Major U.S. companies include: AECOM, Bank of America, Bell Helicopter, Black and Veatch, Coca-Cola, DuPont, Federal Express, General Electric, General Motors, Jacobs Engineering, KFC, Lockheed Martin, McDonalds, Microsoft, Kimberly Clark, PepsiCo, Raytheon, Starbucks, and United Airlines, among many others. Recent FDI reflects well-known hotel brands such as Marriott, Hilton and Hyatt and major engineering firms are pursuing huge infrastructure projects such as the Delhi-Mumbai Industrial Corridor and the Chennai-Bangalore highway project.

India's economy is gradually being transformed by India's highly entrepreneurial and rapidly globalizing private sector. Notwithstanding a recent slowdown in domestic investment, Indian firms are investing in infrastructure projects, growing their advanced manufacturing capabilities, and investing in new volume-based business models that tap into rising incomes and consumption in towns and rural economies across the country. Increasingly they are also investing abroad, including into the United States. In terms of long-range economic forecasts, major consulting firms project that more than 400 million people, a full 40 percent of the population, will enter India's middle class over the next 15 to 20 years. Given the expected dramatic increase in the size of the Indian middle class, the critical role played by private consumption is likely to endure, notwithstanding the Government of India's efforts to become more export-oriented. This "demographic dividend" of India's growing under-35 population is anticipated to be one of the key drivers of long-term growth, provided sufficient employment can be generated. India would like to be viewed as a major economy and world power, but it is difficult to overlook that India is home to the largest number of poor people in the world, with an estimated 350 million people living below the poverty line (living on less than \$1.25 a day) according to the CIA World Factbook.

Market Challenges

Infrastructure

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Problems with the country's roads, railroads, ports, airports, education, power grid, and telecommunications are significant obstacles to India's economy growing to its full potential. India's ongoing urbanization, together with rising incomes, have resulted in a heightened need for improved infrastructure, both to deliver public services and to sustain economic growth. India is seeking to invest \$1 trillion in its infrastructure during the 12th Five-Year Plan (2012-2017) and is looking for private sector participation to fund half of this massive expansion largely through its home-grown Public-Private Partnership (PPP) model. U.S. companies have been successful in certain areas of India's infrastructure development, but competition from other countries is becoming stiffer, and U.S. industry's market share in India in this sector has been declining.

High Tariffs and Protectionist Policies

Tariffs

Import duties continue to be very high, and exporters and investors are faced with non-transparent and often unpredictable regulatory and tariff regimes. Most U.S. services are still strictly excluded from the market. The World Bank ranks India among the world's more difficult business climates – 132 out of 183 economies in 2012 (improved from 139/182 in 2011), and next to last in enforcing contracts.

Local Content Requirements

The Indian government is pursuing local content requirements in specific areas including Information and Communications Technologies (ICT), electronics, and solar energy to spur an increase in the domestic manufacturing sector's contribution to GDP. These policies negatively affect U.S. exporters.

With regard to ICT, which has been a particular area of concern this past year, India recently drafted a policy expressing preference for domestically manufactured telecommunications and ICT products in government procurement, citing security concerns. In addition, all ministries must notify the Department of Telecommunications of all telecom and ICT products that have security implications. At the time of drafting this report, the Indian government announced that all imported ICT equipment will require mandatory licensing and certification from accredited labs in India from September 2013 onwards, creating yet another hurdle for U.S. exporters due to the limited number of such labs.

This preferential market access (PMA) policy could result in hindering imports of innovative technologies, forcing the government to choose from a limited pool of approved locally-manufactured products for its ICT procurement needs and, alarmingly, could impact procurements by private telecom companies as well. Of similar concern is a newly evolving cloud computing policy, which could mandate that all government data remain in India, effectively denying market access to any foreign cloud storage companies.

Weakening of the Patent Regime for Pharmaceutical Industry

2012 witnessed weakening of the intellectual property environment in India for big pharmaceutical companies holding patents on innovative medicines. In two landmark cases, the Indian government issued unprecedented compulsory licenses to Indian generic pharmaceutical firms for two cancer drugs of a European and a U.S. multinational. Furthermore, the Indian Supreme Court recently rejected the grant of a patent to a multinational pharma company for an innovative cancer drug that is patentable elsewhere, including in the United States. By raising the bar for patents and issuing compulsory licenses, India encourages its generic manufacturers to produce and export cheap generics at the expense of the big pharma when patented drugs are deemed unaffordable. In the face of such obstacles, U.S. companies are reevaluating their business models in India.

Powers of States

Power and decision-making is decentralized in India, therefore investors should be prepared to face varying business and economic conditions across India's 28 states and 7 union territories. There are differences at the state level in political leadership, quality of governance, regulations, taxation, labor relations, and education levels. Gujarat is an example of a state with positive business climate, having attracted significant foreign investment. Jharkand or Uttar Pradesh are on the other side of the spectrum and have minimal foreign business activities. To do business in India successfully an investor should factor differences in approach by different states in its national business strategy.

Poor infrastructure, high tariffs, protectionist policies, corruption, bureaucratic inefficiency, and a weak intellectual property regime present the biggest obstacles to foreign investment and growth. Nonetheless, India's infrastructure requirements also present trade and investment opportunities for U.S. companies. Similarly, while recent modifications in India's defense procurement procedure will give priority to domestic public and private sector firms for major military procurements, thus reducing the country's dependence on imports from foreign vendors as a last option, major U.S. defense firms continue to have success in the Indian market. Indeed, many large U.S. multinationals are convinced of India's long-term potential and are expanding and deepening their market penetration. U.S. firms with advanced and niche-market products and services are entering the market for the first time, or are replacing legacy distributors appointed in the slow-growth past with more capable and aggressive representatives. Logistics companies are discovering India as a base for distribution throughout Asia, Africa, and the Middle East. Finally, many smaller American firms have begun to view India as a top anchor market for their products and services as well. Many businesses find they cannot afford to ignore this budding market of 1.2 billion people.

Market Opportunities

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Best prospect sectors and business opportunities. These sectors present opportunities for U.S. entrants to the Indian market on the basis of estimated Indian imports from the U.S. for 2013:

- Defense and Civil Aviation

- Education Services
- Environment and Water
- Franchising
- Healthcare and Medical Equipment
- Transportation Infrastructure (Roads, Ports and Railways)
- Mining and Mineral Processing Equipment
- Plastics
- Power and Renewable Energy
- Travel and Tourism

Specific information on these sectors, as well as best prospects in agricultural sectors is listed in [Chapter 4: Leading Sectors for U.S. Export and Investment](#). In addition to these best prospect sectors there are growing opportunities in the field of homeland security equipment, oil and gas and construction equipment, solar power, and food processing and cold storage equipment.

Market Entry Strategy

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Strategic planning, due diligence, consistent follow-up, and perhaps most importantly, patience and commitment are all prerequisites to successful business. The Indian sub-continent necessitates multiple marketing efforts that address differing regional opportunities, standards, languages, cultural differences, and levels of economic development. Gaining access to India's markets requires careful analysis of consumer preferences, existing sales channels, and changes in distribution and marketing practices, all of which are continually evolving.

Finding Partners and Agents: New to market businesses must address issues of sales channels, distribution and marketing practices, pricing and labeling, and protection of intellectual property. Relationships and personal meetings with potential agents are extremely important. Due diligence is strongly recommended to ensure that partners are credible and reliable.

Geographic Diversity: U.S. companies, particularly small and medium-sized enterprises, should consider approaching India's markets on a local level. Good localized information is a key to success in such a large and diverse country. The U.S. Commercial Service posts in New Delhi, Mumbai, Chennai, Ahmedabad, Bangalore, Hyderabad and Kolkata provide valuable local information and advice and are well plugged in with local business and economic leaders. Multiple agents are often required to serve each geographic market in the country.

Market Entry Options: Options include using a subsidiary relationship, a joint venture with an Indian partner, or using a liaison, distributor, project, or branch office.

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Chapter 2: Political and Economic Environment

Religion, caste, and language are major determinants of social and political organization in India today. Hindi, the national language, is the most widely spoken, although English is the common language uniting the educated population in a nation with more than 30 major regional languages.

Recognizing India as a key to strategic U.S. interests, the United States has sought to strengthen its relationship with India. The two countries are the world's largest democracies, both committed to political freedom protected by representative government. India is also moving gradually toward greater economic freedom.

To read more about the political and economic environment, please click on the link below. You will be directed to the U.S. State Department's "Background Notes on India."

<http://www.state.gov/r/pa/ei/bgn/3454.htm>

For the latest developments in India consult the U.S. Embassy in New Delhi's website:

<http://newdelhi.usembassy.gov/>.

Other websites of interest include:

CIA World Factbook:

<https://www.cia.gov/library/publications/the-world-factbook/index.html>

Economist Country Briefing:

<http://www.economist.com/countries/India/>

Economy Watch:

http://www.economywatch.com/world_economy/india.html?page=full

India's Ministry of Finance:

<http://finmin.nic.in/>

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Chapter 3: Selling U.S. Products and Services

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Using an Agent or Distributor

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Remember the Scale of India and Consider a Regional Approach: Creating a local presence in India is strongly advised, but if your company isn't ready to establish a branch office or a subsidiary, you can get this on-the-ground presence by appointing an agent, representative, or distributor. It's vital to remember that India is a huge and diverse country, with over 30 regional languages. As such, it's strategically important to consider taking a regional approach, and if your product has a wide market appeal, we advise finding regional representatives and distributors.

Defining the Terms: An agent may only procure business and will be paid through a commission. A representative normally works on a retention fee plus a commission on the sales generated. Also, a representative is similar to an indenting agent, where the foreign company deals directly with an Indian importer and then an agent consolidates all the imports, taking a commission from the foreign company. A distributor acts as an importer and typically purchases the product on his own account and stocks the products before selling it to the end user. Due to the risk of stocking the products, the distributor's compensation is higher than that of an agent or a representative.

Use Caution when Establishing Critical Relationship: The Indo-American relationship is strong, and Indian firms are eager to buy U.S. products and services. The market is opening as required by India's WTO commitments, and as a result, U.S. exporters will find strong interest from potential representatives and distributors for a broad range of products. However, the enthusiasm of potential partners must be weighed against several factors before a relationship is considered. A thorough due diligence study is essential before establishing a relationship, no matter how positive initial meetings may be.

When evaluating a distributor or agent, the Indian firm's business reputation, financial resources, willingness and ability to invest, marketing strength, regional coverage, industry expertise, and credit worthiness should be considered. An ideal distributor will have an extremely good banking relationship to enable the extension of credit and also have the capacity to market a full range of products and services. It is important that the agent or distributor have modern infrastructure and facilities such as warehouses, service workshops, showrooms, and trained staff to meet and exceed the expected volume of business.

The Real Gain is in the Growth Market: U.S. companies should be careful not to be influenced by the eagerness and persistence of a distributor or his representative. Sometimes Indian firms represent so many companies that they have little time or interest in developing new markets. The Indian firm may not have the vision to go beyond the existing list of contacts that they have nurtured over time. While in the short run, this can still provide very positive returns, the real edge will be in the areas that are currently underdeveloped. Therefore it is critical to objectively measure the ability, willingness, and aggressiveness of the firm in developing new networks, contacts, and areas of business. By checking multiple professional references, a U.S. company can gain broad insight into an Indian counterpart.

Typical Pitfalls to Expect:

The long list syndrome: U.S. companies should exercise pragmatic skepticism when the potential representative offers a long list of foreign clients. These lists may be outdated and the relationships may no

longer exist. On the other hand, if all of these relationships do exist, the distributor or agent may not be able to fulfill all obligations and commitments to your product based on the time, financial, managerial, or logistical constraints of building the new relationship. The U.S. companies should confirm that the distributor or agent is able to represent the product along with the products of current clients.

The no follow-through syndrome: U.S. companies should ensure that their distributor or agent is fully committed to promoting their product. Very often the distributors or the agents project a professional image backed by a qualified staff, widespread distribution network and a countrywide presence. The U.S. company should make sure that such representatives do not leave the distribution of their products or services to the network. It is imperative that U.S. companies carefully consider all factors prior to making the final selection of a distributor or agent.

Other Issues to Consider:

Advantages of a small distributor: A small distributor may be ideal for implementing a flexible distribution strategy. That India is a vast nation of diverse states poses a logistical challenge to a distributor or to an agent. A small distributor having a presence within a region of India where customers live may be more advantageous, as knowledge of the local market may be a competitive advantage. A small distributor with good product knowledge and marketing skills is often more desirable than a big distributor who leaves the marketing of the product to a section or department of their larger organization. U.S. companies should consider appointing multiple representatives for different products when this is possible.

Due diligence checks: India is a new and rapidly growing economy, and as such, simple and traditional methods of validating the credentials of a potential partner are less reliable, and a thorough due diligence study is critical. Before signing a representative's agreement, a credit check of the proposed partner is imperative. The U.S. firm should check with the distributor or agent's bank to determine the potential partner's financial health, reputation and credit worthiness, and seek additional details from accountants, lawyers, industrial associations, and other sources. For technical products, U.S. companies should also ensure the technical expertise of the distributor, the condition of the facilities, and the experience of the technical staff. Due care should be taken in finalizing the contract details and/or memorandum of understanding.

To identify agents and distributors, U.S. companies can take advantage of the [International Partner Search \(IPS\)](#) and [Gold Key Service \(GKS\)](#) programs offered by the U.S. Commercial Service through its seven offices in India. To assist with due diligence background checks on local agents and distributors, U.S. companies can take advantage of the [Commercial Service's International Company Profile \(ICP\)](#) service. Please see [Chapter 10](#) for more information.

Establishing an Office

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The most important parameters in choosing a location in India are: (1) physical infrastructure; (2) state government support and flexibility; (3) cost and availability of power; and (4) the law and order situation. Other factors to take into account include labor availability and cost, labor relations and work culture, and proximity to resources and/or markets. In the area of labor law, an employer with more than 100 workers cannot fire them without permission from a government labor commissioner -- something usually impossible to obtain.

Given the shortage of good commercial office space at reasonable prices in major Indian cities, business centers are a viable option for new companies wanting to establish a physical presence. Business centers are facilities that are ready to move in, wired for communications, and air-conditioned. Billing is normally done on a monthly basis. For long-term use, discounts are generally available. Many state governments are creating special Technology Parks for selected industry sectors like software, biotechnology, and automotive.

Type of Office: A foreign company or individual planning to set up business operations in India – but choosing not to establish a subsidiary or to form a joint venture with an Indian partner – can do so by establishing liaison, project, or branch offices in India. Approval from the Reserve Bank of India ([RBI](#)) is required, and can be obtained by submitting form “FNC” which can be downloaded [here](#). Such companies also have to register themselves with the Registrar of Companies ([ROC](#)) within 30 days of setting up a place of business in India.

Liaison or Representative Office: Many foreign companies initially establish a presence in India with a liaison or representative office that is not directly engaged in commercial transactions in India. The purpose

of these offices is to oversee their networking efforts, promote awareness of products, and to explore further opportunities for business and investment. A liaison office is not allowed to undertake any commercial activity and cannot earn any revenue in India. As no revenue is generated, there are no tax implications to the office in India. Such offices are not allowed to charge any commission or receive other income from Indian customers for providing liaison services. All expenses are to be borne by inward remittances. A foreign company establishing a liaison office cannot repatriate money out of India.

Branch Office: A branch office, like a liaison office, is not an incorporated company but an extension of the foreign company in India. A branch of a foreign company is limited to the following activities by the RBI: representing the parent company and acting as its buying/selling agent; conducting research for the parent company, carrying out import and export trading activities; promoting technical and financial collaborations between Indian and foreign companies, rendering professional or consulting services, rendering services in information technology and development of software in India, and rendering technical support to the products supplied by the parent/group companies.

A branch office actually does business in India and is subject to taxation in India. The branch office is allowed to repatriate profits generated from their Indian operations to the parent company after paying taxes. However, a branch office is not allowed to carry out manufacturing and processing activities directly (though it can sub-contract such activities to an Indian manufacturer).

Project Office: Foreign companies sometimes set up a temporary project office to undertake projects in India awarded to the parent company. It is essentially a branch office set up for the limited purpose of executing a specific project. Approval for project offices is generally accorded for executing government-supported construction projects or where the projects are financed by Indian and international financial institutions and multilateral organizations. In exceptional cases, approval is also given for private projects. Upon completion of the project, project offices may remit outside India the surplus of the project, after meeting tax liabilities.

None of these entities are permitted to acquire real estate without prior RBI approval. However, they are allowed to lease property in India for a maximum period of 5 years.

Direct Marketing

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The Indian Direct Selling Association (IDSA) announced in March 2013 that the Indian Direct Selling Industry direct selling market size was worth \$1.16 billion in 2011-12. The industry is expected to reach \$1.97 billion by 2014-15 and \$ 6.18 billion by 2019-20. While the industry grew by 22 percent in 2011-12, it is expected to see a year-on-year growth of around 20 percent over the next four years.

Just two Indian states have detailed and focused guidelines for direct selling companies -- Kerala and Rajasthan. On a national level, the Indian government formed a committee to strengthen the regulatory and supervisory cooperation among agencies of both the state and federal governments with regards to fraudulent financial pyramid schemes. Direct sellers should have a license to do business in India and should file all mandatory tax returns. It is mandatory to have trademarks or licenses.

According to IDSA the direct selling industry offers alternate employment opportunities in India and has contributed significantly in self-employment generation for the country over the years. The total distributor base of the Indian direct selling industry during 2011-12 was 4.8 million. It is expected to reach eight million by 2014-15. The growth of the total distributor network stands at 22.5% in 2011-12 over 2010-11.

For more information about export opportunities in this sector contact U.S. Commercial Service Industry Specialists:

Manjushree Phookan at: Manjushree.Phookan@trade.gov and Aliasgar Motiwala at: Aliasgar.Motiwalla@trade.gov

Useful Links include:

U.S. Commercial Service in India	http://export.gov/india/
Ministry of Commerce	http://commerce.nic.in/
Retailers Association of India	www.rai.net.in
Images Retail	www.imagesretail.com/

Indian Direct Selling Association

<http://www.idsa.co.in/>

India Brand Equity Foundation

<http://ibef.org/home.aspx>

Joint Ventures/Licensing

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This type of arrangement is quite common because India encourages foreign collaborations to facilitate capital investments, import of capital goods, and transfer of technology. That aside, India is a market that requires a careful approach because mistakes can be quite costly. Once a decision to go with a joint venture partner is made, it's important to keep in mind the following principles: define each partner's roles and expectations because equality and trust will help keep partners together; experience is a key ingredient; there is no substitute for thorough research; and consider the long term.

There are two channels for foreign investment: the "automatic route" and the "government route." Under the "automatic route," the foreign investor or Indian company is not required to seek approval from the relevant central government agency or department (e.g., coal and lignite mining, power, industrial parks, petroleum and gas, non-banking finance). Instead, the investor is expected to notify the [Reserve Bank of India \(RBI\)](#) of its investment via Form "FC (RBI)" within 30 days of inward receipts and the issuance of shares (www.rbi.org.in/scripts/BS_ViewForms.aspx). Investments subject to government approvals are described as taking the "government route," and approval from vested ministries and agencies is required prior to the investment transaction.

The approving entity varies depending on the applicant and the product:

- The Ministry of Commerce and Industry's (MOCI) Department of Industrial Policy and Promotion (DIPP) oversees single-brand product retailing investment proposals as well as proposals made by Non-Resident Indians (NRIs) and Overseas Corporate Bodies (OCBs). An OCB is an entity that is at least 60 percent owned by NRIs, including overseas trusts.
- The MOCI's Department of Commerce oversees proposals from export oriented units (*i.e.*, industrial companies that intend to export their entire production of goods and services from India abroad).
- The Ministry of Finance's Foreign Investment Promotion Board (FIPB) oversees all other applications.

For Sector-Specific Guidelines for foreign direct investment, please see Chapter 6.

The FIPB in the Ministry of Finance is a high-level central agency that deals with and clears proposals for investment in India. The chairman of the board is the Secretary of the Department of Economic Affairs. Other board members consist of the secretaries in the ministries of commerce and industries, and the Economic Relations Secretary in the Ministry of External Affairs. Other members such as senior government officials and professional experts can be co-opted from government agencies and industry as required.

Applications are received by the FIPB. For details on procedure please refer to the FIPB instruction at <http://www.fipbindia.com/instructions.php>. For NRI investment and for investment in the retail sector applications need to be submitted to Secretaries for Industrial Assistance (SIA). The SIA is within the Department of Industrial Policy and Promotion in the Ministry of Commerce and Industry. It provides a single window for entrepreneurial assistance, investor facilitation, processing of all applications that require government approval, assisting entrepreneurs and investors in setting up projects (including liaison with other organizations and state governments) and monitoring the implementation of projects. The timeline for approval of applications made to FIPB and SIA that meet all the required criteria is usually one month.

India has taken gradual steps toward FDI liberalization but the process is still quite cumbersome and allowed with many limitations. In late 2012, India started allowing FDI in multi-brand retail with foreign companies owning up to 51 percent of the entity with a few caveats. First and most importantly, each state can decide whether to allow this FDI, meaning that fewer than half the states in India have gone along with the plan. Secondly, the new rules require companies to invest \$100 million, of which half has to be invested in back-end infrastructure in the first three years. While some new FDI continues to flow this year, the change has not caused a significant increase in FDI, perhaps due to the strings attached to the new rules.

The November 2011 National Manufacturing Policy (NMP) calls for greater local value addition requirements in government procurement in certain sectors (e.g., solar energy equipment, electronic hardware, fuel efficient transport equipment and IT based security systems). http://commerce.nic.in/whatsnew/WhatsNew_detail.asp?id=35

Government approval is required for any foreign investment greater than 24 percent equity when the manufacturer is not a micro, small or medium-sized enterprise (MSME) and the entity will manufacture items reserved for the MSME sector (there are 20 specific goods and services on the reserved list. The list can be found at <http://www.dcmsme.gov.in/publications/reserveditems/reserved2010.pdf>). An MSME is a company with a total investment in plant and equipment of under \$2 million. The exact definition can be found at http://www.dcmsme.gov.in/ssiindia/defination_msme.htm.

FDI policy is governed by the Foreign Exchange Management Act of 1999 and the RBI. Details on current caps and procedures are available at: http://dipp.nic.in/English/Policies/FDI_Circular_02_2011.pdf.

Investment in the Following Areas are Accorded Priority in Considering Investment Applications:

Items listed in the automatic approval list, where conditions for automatic approval are not met; infrastructure; items with export potential; projects with large employment potential, particularly in rural areas; items which have a direct or indirect linkage with the agricultural sector; socially relevant projects such as hospitals and life-saving drugs; and projects which induct new technology or infuse capital. If the U.S. investor has written a comprehensive proposal, provided details, and the FIPB is fully satisfied that the investment meets India's industrial development goals, approval can be granted in as little time as three weeks. Proposals that are badly formulated, do not meet FIPB goals, and invite objections on political, environmental, public health or welfare grounds are likely to be denied.

Investment in Existing Pharmaceutical Companies: In October 2011, FDI rules were changed for the pharmaceutical sector. For investments in new projects (green field investments), 100 percent FDI is still allowed. In case of investment in existing companies (brown field investments), FDI will be overseen by the Competition Commission of India (CCI) in accordance with India's competition laws that will ensure a balance between public health concerns and FDI. At the time of this writing no regulations for mergers and acquisitions of the existing pharmaceutical companies have been put in place. This additional government approval requirement is already causing delays for mergers and acquisitions that are currently in the pipeline.

Industries Reserved for the Public Sector: Some industries are reserved exclusively for the public sector. The following industries are not available for private investment unless a specific approval is obtained: arms and ammunition and allied items of defense equipment, defense aircraft and warships, atomic energy, and railway transport.

For more details please refer to the GOI Ministry of Commerce and Industry's FDI policy, which can be found at: <http://dipp.nic.in/English/Policies/Policy.aspx>

Compulsory Licensing: Six industries are subject to compulsory licensing in India. The need for licensing is attributed to safety, environmental, and defense related considerations. The licensing authority in this case is the Ministry of Industrial Development and the industries are: distillation and brewing of alcoholic drinks; cigars and cigarettes of tobacco and manufactured tobacco substitutes; electronic aerospace and defense equipment of all types; industrial explosives including detonating and safety fuses, gun powder, nitrocellulose and matches and hazardous chemicals.

First Compulsory License to a Patented Pharmaceutical Product: In March 2012 the Controller General of Patents granted a generic drug manufacturer the right to make and sell a generic copy of a Bayer patented cancer drug, citing that Bayer not only charged a price that was unaffordable to most Indians but also did not supply enough doses of the medication to make it available to patients in India. This case was the first compulsory licensing of a patented drug in India and paves the way for a series of similar rulings in the future.

Selling to the Government

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The estimated size of the government procurement market at the Central government level in India is about \$300 billion and it is expected to grow by more than 10 per cent annually in the coming years. Three sectors -- health including pharmaceuticals, railways, information technology and IT-enabled services represent a

large volume of the Indian public procurement market and are expected to grow significantly. Though public procurement accounts for 15 to 20 per cent of Indian economy there is no central law governing the sector. The situation is similar at the state level. At present only two states -- Karnataka and Tamil Nadu -- have a law governing public procurement. Multiplicity of laws and regulations are implemented by multiple agencies, and Indian government procurement practices and procedures often lack transparency and standardization, which can frustrate foreign suppliers. The process is improving under the influence of fiscal reform policies such those set down in their Defense Procurement Procedure and Manual in 2009 and the revised Defense Procurement Procedure in 2011 <http://mod.nic.in/dpm/welcome.html>. Specific price and quality preferences for local suppliers were largely abolished in 1992. Recipients of preferential treatment are now supposedly limited to the small-scale industrial and handicrafts sectors, which represent a very small share of total government procurement. There are occasional reports of government-owned companies calling in the performance bonds of foreign companies, even when there was no dispute over performance. It is not unusual for negotiations to drag on for months and be held up at more than one of the sundry levels within the Indian bureaucracy for long periods with no discernible movement or reason given for lack of progress.

With this in mind some firms seek out local representatives who are familiar with the culture and customs of India, and are familiar with ways to expedite their product or service through the maze of bureaucracy in Government ministries. When foreign financing is involved, principal government procurement agencies tend to follow multilateral development bank requirements for international tenders. However, in other purchases, current procurement practices can result in discrimination against foreign suppliers when goods or services of comparable quality and price are available locally.

The Government of India regularly advertises its requirements for the purchase of supplies and new equipment.

Defense Sales: While most of India's defense equipment was previously purchased from non-U.S. sources, India has recently expressed increased interest in U.S. technologies. The Indian defense sales market today offers great potential for defense suppliers, but U.S. businesses desiring to make defense related sales to India should be aware that the process can be a daunting one. For more information about market opportunities in this sector contact Commercial Specialist Jitender Jassal at jitender.jassal@trade.gov.

Local Representation is Invaluable: U.S. defense suppliers should assess the merits of having some representation in India to assist in market assessments, logistical support, and after-sales contact. This representation can either be through the supplier's own office presence in India (see above section "Establishing an Office"), or through an authorized representative. Caution must be exercised when seeking local expertise because unless strict guidelines are followed, Indian law may be broken.

In November 2001, the Government of India lifted the ban on agents in defense purchases. Regulatory provisions were announced for Indian authorized representatives and agents, where permissible, in defense purchases. Details of these provisions are posted on the web site of the Ministry of Defense at: <http://mod.nic.in/newaddition/repagent.htm>. The regulations require both the principal as well as the potential local representative to meet the provisions stipulated – it is the foreign supplier that has to make an application to the Ministry to register the relationship reached with the agent. The regulations also call for complete disclosure of the principal agent relationship in all its aspects.

The process for gaining clearance from the Government of India (GOI) to hire such a representative can also be very slow. These requirements have discouraged many established local representatives in the defense business from registering as agents for new defense deals. The Office of Defense Cooperation (ODC) within the U.S. Embassy in New Delhi works with the Commercial Service in New Delhi to assist U.S. firms by providing contact details of Ministry of Defense and Military Service offices that are the main purchasers of foreign defense goods for India and offer advice on strategies for defense related sales. The tender process that the GOI uses to acquire new defense equipment is relatively slow and complex, with the average time between initial release of a request for proposal and the final contract award often taking several years. The most successful firms are those with the endurance to follow the process through and the situational awareness that comes from local representation or from contact with GOI officials. Tenders are generally posted to the Internet, but most U.S. firms will want to establish MOD contacts and understand emerging opportunities and the requirements process well before tenders are publicly announced at: <http://www.tenders.gov.in/>. Many ministries announce tenders specific to their ministry on their own website.

A private portal to several Government of India websites is found at: <http://www.sarkaritel.com/ministries/>

Distribution and Sales Channels

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There has been a significant expansion in distribution channels in India during the past few years. The size of the Indian retail market in 2011 exceeded \$4.9 billion. It is projected that it will grow to \$7.1 billion by 2016 averaging 7.5% growth annually. The total number of retail distribution outlets in the country is estimated at over 12 million, mostly family-owned businesses. An annual growth rate for the fast moving consumer goods (FMCG) sector is predicted at 10-12 percent during the next 10 years. A firm can take its products to the user through a variety of channels. It can use different types of marketing intermediaries. It can structure its channel into a single-tier or a three-tier system.

The three-tier system: Most Indian manufacturers use a three-tier selling and distribution structure that has evolved over the years: redistribution stockists, wholesalers and retailers. As an example, a FMCG company operating on an all-India basis could have between 40 and 80 redistribution stockists (RS). The RS will sell the product to between 100 and 450 wholesalers. Finally, both the RS and wholesalers will service between 250,000-750,000 retailers throughout the country. The RS will sell to both large and small retailers in the cities as well as interior parts of India. Depending on how a company chooses to manage and supervise these relationships, its sales staff may vary from 75 to 500 employees. Wholesaling is profitable by maintaining low costs with high turnover, with typical FMCG product margins anywhere from 4-5%. Many wholesalers operate out of wholesale markets. In urban areas, the more enterprising retailers provide credit and home-delivery. Now, with the advent of shopping malls impacting the retail sector, companies talk of direct delivery and discounts for large retail outlets.

Outsourcing logistics: In recent years, there has been increased interest from companies to improve their distribution logistics in an effort to address a fiercely competitive market. This in turn has led to the emergence of independent distribution and logistics agencies to handle this important function. Marketers are increasingly outsourcing some of the key functions in the distribution and logistics areas to courier and logistics companies and searching for more efficient ways to reach the consumer. The courier network in India now spreads to smaller Class IV towns (defined as towns with populations less than 50,000).

Clearing and Forwarding: Most FMCG and pharmaceutical companies use clearing and forwarding (C&F) agents for distribution and each C&F agent services stocks in an area, typically a state. It is also important to note that duty structures vary among states for the same product, thus creating disparate pricing. But with the introduction of VAT at every stage from producer to end consumer, retail prices are now the same throughout India. With the cost of establishing warehouses extremely high, C&F agents are fast becoming the norm. Recently companies have been utilizing the same distribution channels for products with complementary characteristics.

India has eleven major seaports and 139 minor working ports along its two coasts, but in terms of gross weight tonnage conveyed annually, Mumbai, Marmagao on the west coast, and Vishakhapatnam and Chennai along the east coast are the most important ports in India. Mumbai, the financial capital of the country, is very important for the international cargo trade.

Free Trade Warehousing Zones: In an effort to assist companies entering the Indian market and also to develop the Entrepot trade, the Government of India introduced free trade & warehousing zones (FTWZ) as a special category of special economic zones with a focus on trading and warehousing. The objective of the FTWZ is to create trade-related infrastructure to facilitate the import and export of goods and services with the freedom to carry out trade transactions in free currencies. These zones are to be established in areas close to seaports, airports or dry ports. FDI in these zones is allowed up to 100% in the development and establishment of the zones and in their infrastructure facilities. The scheme envisages duty free import of all goods for warehousing (except prohibited items such as arms and ammunition, hazardous waste and special chemicals, organisms, materials, equipment and technology items). The maximum period that goods may be warehoused within the FTWZ is two years, after which the goods have to be re-exported or sold. On expiry of the two year period, customs duties as applicable would automatically become due unless the goods are re-exported within a grace period of three months.

Selling Factors/Techniques

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At first glance, the bulk of the purchasing power in India would appear to be concentrated in its urban markets. However, a majority of the Indian population lives in rural areas distributed over some 627,000 villages. The balance lives in 3,700 towns of which approximately 300 have a population of more than 100,000 inhabitants.

It is said that the real India lives in the villages. All marketers, both Indian and foreign, have benefited by paying attention to the marketing potential of rural India.

Analysis of consumer purchase data over the last several years by various research agencies has shown that rural markets in India are growing as disposable income and literacy levels increase, and television access stimulates demand. Analysts predict that Indian rural consumers worth \$100 billion will drive consumption in 2012. Due to the influence of the media, consumption patterns in rural households have also changed significantly in recent years. Indians in rural areas are far more brand conscious, and this is generating demand for some products that were previously unfamiliar. Growing brand awareness makes it all the more important for American companies entering the Indian market to register their brand name with the Indian trademark office. For more information on this visit: <http://www.ipindia.nic.in/>. For the country's mega-marketers, rural reach is on the rise.

Poor infrastructure, however, is a major problem that makes distribution difficult and reduces demand for some products in rural areas. In order for sales techniques to be successful, distribution coverage is of prime importance. Indian consumers are serviced by an efficient, but highly fragmented, trade system consisting of over 12 million retail and wholesale outlets, spread over many urban and rural population centers. India has the largest retail outlet density in the world, but the majority of these stores are very small in size and unorganized.

With more than 500 million people under the age of 25, India's rapidly growing population appears to present limitless opportunities, but many Indian and foreign companies have discovered that for many product categories, only a fraction of India's 1.2 billion population can be regarded as potential customers. Many companies have been disappointed with the response to products launched in India over the past few years. Initially, these companies grossly overestimated the depth and size of the Indian market for their products. Projections for the growing Indian middle-class range from 150-200 million but these figures have proven to be off the mark for certain products as marketed to the typical Western middle class consumer. Transposing brands and products from other markets did not work. Suitability and adaptation to Indian preferences and conditions are regarded as a significant benefit to Indian consumers and is therefore an important factor to be considered while designing a sales strategy. A final mistake is to enter India without an efficient distribution network, forgetting that India is a market with poor infrastructure and logistics.

A successful sales strategy will recognize and deal with the existence of strong local competition - this exists in many products and service categories and should not be underestimated. U.S. firms must also carefully compare customer needs and the quality of latent demand with the level of service that they want to offer in India. Even among the affluent middle class, much of their money is spent on need-based consumption rather than on luxury goods.

While selling in the Indian market can be a complicated and difficult experience for new entrants, this can be avoided if, at the outset, the market opportunity is assessed accurately and the capabilities of local competition are not underestimated. Only in unusual circumstances should new foreign entrants create a new and independent sales infrastructure, because it is very expensive in the short run, and requires sustained investment to build over the long run, even if the product is successful.

Electronic Commerce

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In addition to traditional selling techniques, the Internet is also gaining importance as a selling method. India is now the third largest Internet user base with about 121 million users after China and the US. According to the government, India's Internet user base is expected to grow almost six-fold to 700 million by 2014. These users can potentially use the Internet over shared connections, such as cyber cafes, homes and offices. As the number of Internet users continues to increase with the reduction in cost of Internet access, the Indian e-commerce market will also expand. The latest data from the Internet and Mobil Association of India (IAMAI) estimates the e-commerce turnover was \$7.0 billion in 2010, up from \$2.8 billion in 2008. The majority of these deals, 80%, are related to booking travel (airways and railways) and hotels, with the remainder in e-tailing, net banking, bill payments, stock trading, job searches, matrimonial searches, general classifieds, online advertisement and online search marketing.

The growth in e-commerce is largely due to the increasing number of broadband users. India is expected to have over 175 million broadband connections by 2014. Service providers are upgrading their capacity, but in the short run the supply of broadband is still a cause of concern.

A well-known global technology research firm is upbeat on the potential for online shopping in India. Similarly, industry experts believe that online business-to-business (B2B) commerce will increase substantially in India because it meets a genuine need and portals offering such services are built on strong revenue models.

India currently does not allow FDI in e-commerce.

Trade Promotion and Advertising

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Over the years, the Indian economy has moved from being a controlled sellers' market to a buyers' market. With the opening of the economy came increased competition, and the need for increased advertising. Media availability has increased exponentially with unlimited competition. In the year 2011, the Indian advertising industry stood at \$5.1 billion, recording a growth of 8 percent. The growth projections for the ad industry by industry experts for 2012 are 8-9 percent, with a total advertising sector of \$5.6 billion.

Practically every aspect of media is available for advertising, from print to outdoor advertising to satellite channels to movie theaters. Advertising in print continues to hold the largest share. Television advertising dominates the market with a share of 44.8 percent, followed by print with a share of 42.2 percent. Radio saw no growth in 2011 at 3.1 percent share, and outdoor advertising has a 5.1 percent share of the advertising market. The Internet share claims the third largest share of the market at 3.8 percent. A well-known industry consulting group predicts that Internet would become a 5 percent media.

The key to gaining rural market share is increased brand awareness, complemented with a wide distribution network. Rural markets are best covered by mass media - India's vast geographical expanse and poor infrastructure pose problems for other media to be really effective.

India has a diverse and growing number of daily newspapers. Print media reaches 70 percent of urban adults. Further, the number of readers in rural India is now roughly equal to that in urban India. The print media, almost completely controlled by the private sector, is well developed and advertising and promotional opportunities are available in a large number of newspapers including daily, weekly or monthly business publications, news magazines and industry-specific magazines.

According to the Indian Readership Survey 2011 data *The Times of India* is the leading English newspaper daily in India, with a readership of 7.4 million, followed by *Hindustan Times* with 3.6 million. The *Economic Times* and *Business World* are the predominant business publications. The top Hindi daily is *Dainik Jagran* with readership 16 million. The leading magazines include [India Today](#), *Business India*, [Business Today](#), and [Outlook](#). Advertising opportunities are also available on satellite and cable television channels. Doordarshan, the government-owned television network, reaches almost 90 percent of the population. In addition, more than 100 satellite and cable television channels, including many U.S. and international channels such as STAR TV, CNN, NBC, Discovery, National Geographic and BBC, are available for advertising. New distribution platforms like Direct-to-Home (DTH) are increasing the subscriber base and raising subscription revenues.

Radio, by far the least expensive and most traditional form of mass entertainment in the country, is staging a comeback in the lifestyles of Indians. Presently this medium is dominated by the government-owned All India Radio (AIR) and reaches over 99 percent of the people in India. Today privately-owned FM radio stations are present in 90 cities operating on 280 operating frequencies and reach 60 million people. According to an industry body report, FM radio is expected to grow at a CAGR of 16 percent annually and reach a size of \$328 million by 2014. New formats such as satellite, internet and community radio have also begun to hit the market.

U.S. companies interested in advertising in Indian media can work through the many advertising agencies in India. Many large and reputable U.S. and other international advertising agencies are present in India in collaboration with local advertising agencies. The advertising sector in India is technologically advanced.

In addition to advertising, established public relations firms are also available to U.S. companies that require such services. This segment has a few U.S. and other international companies present in collaboration with local partners. Mumbai remains the center of the advertising industry in India.

U.S. companies can select from a number of quality international trade fairs, both industry-specific and horizontal, to display and promote their products and services. The U.S. Department of Commerce certifies a number of Indian trade shows as good venues for U.S. companies; and the [U.S. Commercial Service \(CS\)](#) offices in India directly organize U.S. participation in a number of selected trade shows every year.

Trade development offices of the U.S. Department of Commerce, U.S. industry associations, and individual U.S. states organize [trade delegations and missions](#) to visit India to explore prospects for doing business with local firms in the private and public sectors. Participation in such trade missions, whose programs in

India are managed by the U.S. Commercial Service, will be useful for American companies interested in doing business in India. You can also visit <http://export.gov/india/tradeevents/index.asp> for a list of trade events supported or organized by CS in India.

The Commercial Service in India offers several easy and inexpensive options to begin promotion in the Indian market, which are particularly helpful to small and medium new-to-market companies.

- [Commercial News USA \(CNUSA\)](#) is monthly catalog magazine circulated world-wide through [U.S. Commercial Service offices](#) with low-cost advertising opportunities; while it's not country-specific, over 3,000 copies are circulated to selected buyers, agents/distributors, chambers of commerce and trade associations in India.
- U.S. Exporters can arrange for customized services through our [Single Company Promotions](#).
- Firms offering services to U.S. exporters and investors interested in India can be listed in our online [Business Service Providers](#) directory for business.

Pricing

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When formulating key strategies and making decisions about product pricing for the Indian market, it is important to remember that simple conversion of U.S. dollar prices to Indian rupees will not work in most cases. Also, the assumption that a latent niche market for premium products exists has often resulted in low sales volumes and negligible returns for some foreign companies.

If the product can be imitated easily in terms of quality and service, international pricing will not work in India because local entrepreneurs will quickly adopt the same business opportunity. To reduce product import duties or other local costs and ensure a stable market share, several U.S. and other foreign companies have set up product assembly shops in India.

Pricing decisions also have some bearing on product packaging. Many consumer product suppliers have found it helpful to package smaller portions at reduced prices rather than "economy" sizes. Although some Indian consumers are aware of quality differences and insist on world-class products, many customers can sacrifice quality concerns for price reductions.

Bargaining for the best price is a routine process of the buyer and seller in India. For consumer goods, especially for durables, the sellers often give discounts on the listed prices during festive seasons to attract more customers. Trade-ins of old products for new items are also increasingly popular among consumers. A pricing strategy must consider all of these factors.

Another key consideration in pricing is Indian import tariffs. These are high for most products, especially consumer products. There are pockets of affluent Indians who can afford to buy a variety of luxury branded goods. However, in general, consumer consumption patterns are very different from those in many other countries. The middle class is growing exponentially, providing a fertile market for moderately priced items, but the prohibitive import tariffs may serve to move some items out of the reach of the Indian middle class consumer. The 12.5 percent Value Added Tax (VAT) that is in effect in most states compounds this issue.

Protecting Your Intellectual Property

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Indian law at present does not provide for protection against unfair commercial use of test or other data that companies submit to the government in order to obtain marketing approval for their pharmaceutical or agricultural chemical products. Without specific protection against unfair commercial use of clinical test data, companies in India seek immediate government approval for marketing of pharmaceutical and agrochemical products based on the original developer's data.

In order to comply with its international obligations under the TRIPS Agreement, the Government of India had designated the Department of Chemicals and Petrochemicals, Ministry of Chemicals and Fertilizers as the responsible ministry to suggest measures that should be adopted in context of Article 39.3 of TRIPS Agreement and to consider whether data protection can be offered under the existing legal provisions. An Inter-ministerial Committee was constituted on February 10, 2004 under the Chairmanship of Secretary Reddy to act as a Consultative Group on the matter. The Committee released the Reddy Report on May 31, 2007. The Reddy Report finds that the present Indian legal provisions on data protection are not adequate to meet the spirit of Article 39.3 of TRIPS Agreement, though it concludes that existing legislation may be amended to achieve TRIPS consistency. The report further recommends that an explicit legal mechanism in the Drugs and Cosmetics Act, 1940 and the Insecticides Act, 1968, and the Rules framed under these Acts, should be provided to ensure that undisclosed test data of the originator is not put to unfair commercial use.

by others. The Ministry of Agriculture had drafted the Pesticides Management Bill, 2008 which includes provisions for data protection for agricultural chemicals and the Bill was introduced in the Parliament on Oct 21, 2008. The Bill was then referred to the Standing Committee on Agriculture for their recommendations. The Standing Committee's recommended that the term of data protection in the bill be increased from three (3) years to five (5) years. The Ministry of Agriculture amended the Bill in accordance with the Standing Committee's recommendations the amended Bill was to be re-introduced during the Winter 2011 session but could not be taken up and will be re-introduced in the next Parliamentary session. While the Government of India has considered instituting a regulatory data protection system for agrochemicals, there has been little or no movement on providing data protection for pharmaceuticals.

Copyrights: India is a signatory to the Berne Convention and India's Copyright Act of 1957 provides for both civil and criminal penalties for copyright infringement. The Information Technology Act of 2000 includes penalties for the unauthorized copying of computer software. Penalties of up to \$240,000 can be applied to unauthorized copying. Also, the penalty affords no immunity from prosecution under other laws. The GOI is not a party to either the 1996 WIPO Copyright Treaty (WCT) or the WIPO Performances and Phonograms Treaty (WPPT). India is now in the process of considering an amendment to its Copyright Act which includes provisions implementing the WPPT and WCT. The Copyright Amendments Bill was first introduced into Parliament in April 2010 and referred to the Standing Committee on Human Resources Development for evaluation. The Standing Committee submitted its recommendations to Parliament in November 2010 and they were examined by the Ministry of Human Resources Development. The Ministry amended the Bill in accordance with the Standing Committee's recommendations and was planning to introduce the Copyright Amendments Bill during the Winter 2011 session. The Opposition party was able to prevent the Bill from being taken up and the Ministry will seek to reintroduce the Bill during the next Parliamentary session in 2012.

Enforcement of copyright continues to be a problem in India. The Indian Constitution delegates enforcement responsibility to the state governments. The central government can pass laws but the states are responsible for implementing them. The Central Bureau of Investigation (CBI), for example, which has inter-state jurisdiction, does not pursue IPR-related cases. The state, municipal or local police forces - although untrained - are charged with enforcing IPR laws. Piracy of copyrighted materials (particularly software, films, music, popular fiction works and certain textbooks) remains a problem for both U.S. and Indian producers. India has considered introducing separate optical disc legislation and anti-camcording legislation to address widespread copyright theft but these initiatives have not been implemented. Under existing law, copyright and trademark infringement are characterized as "cognizable offenses" which means that police have expanded search and seizure authority and can make arrests without having a warrant from the court. The law provides for minimum criminal penalties, including mandatory minimum jail terms. Courts rarely impose the full range of penalties prescribed under the law. Due to backlogs in the court system and documentary and other procedural requirements, relatively few cases are prosecuted and U.S. and Indian industry report that piracy levels in all sectors remain high.

Cable television piracy also continues to be a significant problem, with estimates of tens of thousands of illegal systems in operation in India. Copyrighted U.S. products are transmitted over this medium without authorization, often using pirated videocassettes, VCDs, or DVDs as source materials. This widespread copyright infringement has a significant detrimental effect on all motion picture market segments in India - theatrical, home video and television. For instance, pirated videos are available in major cities before their local theatrical release. The proliferation of unregulated cable TV operators has led to cable piracy. The GOI, through the Ministry of Information and Broadcasting, has set up an Anti-piracy Taskforce which was constituted to recommend measures to combat film, video, cable and music piracy in India. The Taskforce issued its report in August 2010 and has made several key recommendations. In its recommendations, the Taskforce has focused on mainstreaming instruments of policy and practice in an effort to make piracy substantially more risky and financially unattractive. The GOI is in the process of examining these recommendations and assessing how they can be implemented.

Trademarks: India's trademark legislation provides protection for trademarks and service marks. A bill amending the Trade Marks Act, 1999 to include provisions relating to the filing of trademark applications under the Madrid Protocol has been cleared by the Parliament. India is expected to formally accede to the Madrid Protocol in the fall of 2012 and begin accepting applications in early 2013. The Intellectual Property Office has also upgraded its IT systems to allow for electronic filing of trademark applications and the Government of India is now considering making e-filing mandatory. Enforcement of trademarks in India's courts is improving and several precedential judgments recognizing the concepts of "well-known or famous marks" and "cross-border reputation" have been issued. The Foreign Exchange Management Act 1999

(FEMA) restricts the use of trademarks by foreign firms unless they invest in India or supply technology. Geographical indications are protected under separate statutory provisions.

Enforcement: India's criminal justice system does not effectively support the protection of intellectual property. India's criminal IPR enforcement regime, including border protection against counterfeit and pirated goods, remains weak. There have been few reported convictions for copyright infringements resulting from raids, including raids against recidivists. Adjudication of cases is slow. Police action against pirates of motion pictures has improved somewhat since 2003. Obstruction of raids, leaks of confidential information, delays in criminal case preparation and the lack of adequately trained officials have further hampered the criminal enforcement process. The GOI has also passed the Drugs and Cosmetics (Amendment) Act, 2008 which enhances the penalties for any adulterated and spurious drugs. The Drugs and Cosmetics (Amendment) Act, 2008 will also create specialized courts to hear cases under the Act.

India was considering legislation to establish a special Commercial Division Bench in all of its 21 High Courts which would have jurisdiction over IP disputes. However, this bill was officially withdrawn during the Winter 2011 Parliamentary Session due to problems with its scope and implementation.

IPR enforcement at the border in India is improving. In order to empower Customs Officials to seize goods infringing intellectual property rights at the border without having to obtain an order from the court, Indian Customs Authorities have promulgated the Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007. The Customs authorities have also initiated a records system that will allow rights holders to record their patent, trademark, copyright, design or GI registrations. It will also allow rights holders to request the suspension of clearance of potentially infringing goods. The electronic records system is now available at all ports of entry in India and contains over 400 records.

U.S. Patent and Trade Office (USPTO) representatives have an office within the Foreign Commercial Service in the U.S. Embassy in New Delhi that focuses exclusively on intellectual property issues. This office is currently working with the GOI and industry to promote high standards of IP protection and enforcement.

IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at <http://www.stopfakes.gov/>.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and . For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: <http://www.stopfakes.gov/> This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. Contact information for the IP attaché in New Delhi, India at: kalpana.reddy@trade.gov.

Due Diligence

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The U.S. Commercial Service emphasizes the need for exercising prudent procedures and practices in all international business transactions. Every U.S. exporter is advised to conduct comprehensive due diligence

on potential partners in any foreign market to meet obligations under the Foreign Corrupt Practices Act of 1977.

Local Professional Services

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Please contact the CS India at office.newdelhi@trade.gov.

Web Resources

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U.S. Commercial Service: <http://export.gov/india/index.asp>

American Chamber of Commerce, India: <http://www.amchamindia.com/>

U.S. India Business Council: <http://www.usibc.com/>

Confederation of Indian Industry: <http://www.cii.in/>

Federation of Indian Chambers of Commerce and Industry: <http://www.ficci.com/>

Indo-American Chambers of Commerce: <http://www.iaccindia.com/>

The Franchising Association of India, www.fai.co.in

Reserve Bank of India: <http://www.rbi.org.in/>

Government of India Directory: <http://goidirectory.nic.in/>

Government of India Ministry of Finance: <http://finmin.nic.in/>

Government of India Ministry of Commerce and Industry: <http://commerce.nic.in/>

Foreign Exchange Management Act <http://www.rbi.org.in/scripts/fema.aspx>

CRISIL online (similar to the Better Business Bureau in U.S.): <http://crisil.com/index.jsp>

The Times of India: <http://timesofindia.indiatimes.com/>

The Economic Times: <http://economictimes.indiatimes.com/>

Business Standard: <http://www.business-standard.com/>

The Financial Express: <http://www.financialexpress.com/index.php>

Ministry of Defense, Instruction on Agents of Foreign Sellers: <http://mod.nic.in/newaddition/repagent.htm>

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Chapter 4: Leading Sectors for U.S. Export and Investment

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Defense

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The Government of India is responsible for ensuring the defense of India and every part thereof. The Supreme Command of the Armed Forces is vested in the President. The responsibility for national defense rests with the Cabinet.

The Raksha Mantri (Defense Minister) is the head of the Ministry of Defense. The principal task of the Defense Ministry is to obtain policy direction from the government on all defense and security related matters and communicate them for implementation to the services headquarters, inter-services organizations, production establishments and research and development organizations. It is also required to ensure effective implementation of the government's policy directions and the execution of approved programs within the allocated resources.

The [Ministry of Defense](#) (abbreviated as MoD) is charged with coordinating and supervising all agencies and functions of the government relating directly to national security and the Indian armed forces (including Indian Army, Indian Air Force, Indian Navy) and the Indian Coast Guard (a component of the paramilitary forces of India) and has the largest budget of India's federal departments.

The Ministry of Defense is comprised of four departments, [Department of Defense Production \(DDP\)](#), [Department of Defense Research & Development \(DDR&D\)](#) + [\(DRDO\)](#) and [Department of Ex-Servicemen Welfare](#) and also [Finance Division](#)

Market Trends

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The Indian defense sector is one of the fastest growing markets globally for acquisition of military hardware and technology. India imports 70 percent of its armament needs and has now replaced China as the world's leading importer of weapons since 2011. Russia and Israel are the leading defense suppliers to India.

Indian defense expenditures, which refers to the part of the budget that is spent on the acquisition of all types of military hardware and technology, are expected to record a CAGR of 6.59 percent during 2010-15, to reach an annual amount of \$ 42.6 billion by 2015. India's official defense budget received a 14 percent hike with a total of \$3.7 billion for FY 2013-14.

Of the total allocation for India's defense, the Army will get \$1.8 billion (49 percent), the Navy \$660 million (18 percent), the Air Force \$1.05 billion (28 percent) and the Defense Research and Development Organization (DRDO) \$192 million (five percent).

Strong growth in this sector is attracting foreign original equipment manufacturers (OEMs) and leading players from the domestic private sector such as Reliance, Tata, Mahindra, L&T and Punj Lloyd to enter the market. To encourage foreign participation the Government of India (GOI) has allowed Foreign Direct Investment (FDI) of 26 percent in the Indian defense sector. However, there is a general consensus in the government to eventually raise the FDI limit to 49 percent.

The local defense production is met by the [Ordnance Factories Board](#) (OFB) consisting of Indian ordnance factories engaged in the production of arms, ammunition and other equipment for military and civilian applications. Headquartered at Ayudh Bhawan, Kolkata, it consists of 41 factories, nine training institutes, three regional marketing centers and four regional controllers of safety. OFB is the world's largest government operated production company and the oldest industrial organization run by the GOI. It has a total workforce of about 164,000. It is often called the "Fourth Arm of Defense" and the "Force behind the Armed Forces" of India. The type of products produced by the ordnance is very diverse, ranging from various small arms to rockets, bombs, grenades, military vehicles, armored vehicles, chemicals, optical devices, parachutes, mortars, artillery pieces plus all associated ammunition, propellants, explosives and fuses.

With a core focus towards indigenization of defense production, steps have been taken at both central and state levels. The focus has been with the establishment of Special Economic Zones (SEZ) for manufacturing purposes. As an example, the state of Karnataka has set up a defense manufacturing zone in Chitradurga district and an aerospace park in Bangalore, with an objective to invite aerospace and defense manufacturing companies to have their presence in the state. The district already has become an attractive destination for defense manufacturing as the Indian Space Research Organization (ISRO), the Defense Research and Development Organization (DRDO) and the Bhabha Atomic Research Centre (BARC) have set up facilities. The Indian Institute of Science (IISc), based in Bangalore, has established a second campus in the district focused on research. More state specific initiatives to encourage local manufacturing for defense are expected.

Opportunities

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The Indian market is particularly promising for U.S. suppliers seeking joint-venture opportunities. U.S firms can consider partnering with major Indian industrial houses such as the Tata Group, Ashok Leyland, Mahindra Group, the Kirloskar Brothers, Larsen and Toubro, Walchandnagar, and Wipro. All of these companies have diversified into the defense sector, forming joint ventures with foreign companies for both strategic and produce-specific projects.

The private sector has been playing a significant role in the defense industry as sub-contractors and ancillary industry, and suppliers of raw materials, semi-finished products, parts and components to defense PSUs, ordnance factories, base workshops of the army, base repair depots of the air force, and the dockyards of the navy.

(Million)	2011 (estimated)	2012 (estimated)	2013 (estimated)	2014 (estimated)
Total Market Size	570	770	900	1200

Total Local Production	45	60	80	95
Total Exports	55	70	95	100
Total Imports	34	55	60	75
Imports from the U.S.	150	300	550	700
Exchange Rate: 1 USD	55 (INR)			

Although the U.S. defense industry is the world's largest exporter of defense articles, it has managed to capture only a small fraction of the Indian defense market. The ongoing bilateral discussions of Indian requirements and U.S. export licensing regulations have helped to create a greater understanding of the unique procedures between both nations.

The areas that are specifically expected to emerge over the short to medium-term include unmanned combat aerial vehicles (UCAVs), advanced electronic warfare systems, combat systems, rocket and missile systems, fighter and trainer aircraft, stealth frigates, and submarines. In addition, expenditures on IT and communications are expected to increase significantly, with a strong focus on enterprise applications, systems integration, and real-time mobile communications.

Opportunities for U.S. defense companies in India are abundant and can be segmented in the following areas:

- As a supplier of products under direct commercial sale or foreign military sales program
- As a training institute/university to train personnel in defense and engineering services
- As a partner with private firms, DPU's (Defense Production Units) and ordinance factories to manufacture and bid for Indian government tenders

Obstacles:

- Lack of a professional acquisition workforce in MOD
- Lack of transparency and long time frame for defense procurement process
- Lack of clarity on how to discharge offset obligations for business deals exceeding \$70 million
- Lack of infrastructure and shortage of a skilled workforce to discharge offsets
- Long time frame to acquire approvals for investment and to obtain manufacturing licenses

Trade Events:

- **DEFEXPO 2014**
Location: Pragati Maidan, New Delhi
Date: February, 2014
English language website: <http://www.defexpointdia.in>

Web Resources

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- [Ministry of Defense](#)
- [Indian Army](#)
- [Indian Navy](#)
- [Indian Air Force](#)
- [Institute of Defense Studies and Analyses](#)

U.S. – India Relations in Defense

Grounded in shared interests, the U.S.-India defense relationship has grown from solely military-to-military links into a mature partnership that encompasses dialogues, exercises, defense sales, professional military education exchanges, and practical cooperation. Prime Minister Manmohan Singh and President Barack Obama expressed their determination to take concrete steps to deepen defense cooperation as both countries work to address international political, economic, and security challenges. The leaders reaffirmed the importance of maritime security, unimpeded commerce, and freedom of navigation, in accordance with relevant universally agreed principles of international law.

For more information about export opportunities in this sector contact U.S. Commercial Service, Senior Commercial Specialist, Jitender Jassal at: Jitender.Jassal@trade.gov

Civil Aviation

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India is the ninth biggest aviation market in the world. In terms of domestic traffic, India is the fourth largest in the world behind the United States, China and Japan. Despite these numbers, India is one of the least penetrated air markets in the world (even lower than Sri Lanka, Pakistan and Nigeria) with 0.02 trips per capita as compared to 0.2 of China and 2.2 in the U.S. This reflects significant potential for future growth.

The Indian aerospace sector ranks among the world's most dynamic. Boeing estimates that India will spend \$130 billion to purchase 1150 aircraft by 2030. India has a total of 128 airports, out of which 15 are international airports, eight are custom airports with limited international operations, 80 are domestic airports and 25 are civil enclaves in defense airfields. The Airports Authority of India (AAI) manages all the airports except Delhi, Mumbai, Hyderabad, Cochin and Nagpur, which are managed under a public private partnership (PPP) framework. The AAI controls India's approximately 2.8 million nautical square miles of airspace. The AAI develops and manages airports and also provides air traffic management services and air infrastructure.

The traffic at Indian airports has increased at a rate of 15.3% over the last nine years – primarily led by high growth in domestic traffic. In year 2010-2011 passenger air traffic reached 143.3 million, and during the same period Indian airports handled 2.3 million MT tons of cargo.

Starting from a relatively small base, the civil aviation sector in India faces the prospect of significant expansion as the overall economy recovers and India continues its fast rate of growth.

Market Size

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For a country of more than one billion people with a sizeable middle class that can afford air travel, the size of the aviation sector is relatively small. While the U.S. has on average 50,000 commercial scheduled aircraft movements per day, India has a little over 3,800 each day. Furthermore, much of the traffic flow is located in the five major cities of the country: Mumbai in the West; Delhi in the North; Bangalore and Chennai (Madras) in the South; and Kolkata (Calcutta) in the East.

India is ideally positioned as a major aviation hub at the crossroads between Europe, the Middle East and Asia Pacific. The fact that aviation was a neglected sector for so long has allowed airports such as Dubai and Singapore to effectively establish themselves as offshore hubs for Indian passengers, and they now have a significant head start. However, as India's airports improve, and its airlines receive international awards for their service, there may be an opportunity to leverage its huge home market to compete with these longer established hubs. India has been successful in modernizing its largest airports through PPP with foreign participation – Delhi, Mumbai, Bangalore, Hyderabad and Cochin. Expansion is underway at other major airports – Chennai and Kolkata.

The Hyderabad International Airport has been ranked among the world's top five in the annual Airport Service Quality (ASQ) passenger survey along with airports at Seoul, Singapore, Hong Kong and Beijing. The Hyderabad International Airport is managed by a public-private joint venture consisting of the GMR Group, Malaysia Airports Holdings Berhad and both the State Government of Andhra Pradesh and Airport Authority of India (AAI).

Maintenance, Repair and Overhaul (MRO) opportunities exist for servicing 1,000 commercial aircraft and 500 GA aircraft. MRO facilities are also expected to need additional ground support equipment. Both Boeing and Airbus have decided to invest in MRO facilities. Industry sources estimate that establishing a world class MRO will require an investment of over \$250 million. MRO business is estimated to grow at 10 percent annually and reach \$1.2 billion by 2013 and \$2.4 billion by 2020. Airlines in India currently outsource major checks and aircraft servicing to MRO hubs like Singapore, Malaysia and Dubai. Worldwide trends exhibit the gradual move towards third party MROs. Nearly half of U.S. based airlines' maintenance is outsourced to MROs and 45 percent of military maintenance is outsourced to civilian MROs. Both

government and private players have evidenced keen interest in this area with the intention of providing reliable and cost-effective maintenance services to all Indian carriers.

The aerospace sector in India is in the early stages of development and most of the domestic demand is being met through imports. Hence, opportunities for the U.S. aviation companies in the Indian aviation industry are abundant in the areas of technology, raw material development capabilities, international airworthiness certifications, developing skills, and providing financing.

The present market size for airport and ground support equipment is estimated to be \$440 million. Successful privatization of airport maintenance and ground support services will lead to another \$100 million in market growth over the next three years.

The most promising sub-sectors in the airport equipment and ground-handling services continue to be technology-driven communication and ground services. The AAI has an annual budget of approximately \$100 million for procurement of equipment, which is dependent on foreign technology.

Airport Growth Beyond Metro Areas

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To ensure that the development of the sector was not restricted to the metro cities alone, the GOI announced its plans to modernize 35 non-metro airports into world-class entities at an estimated cost of \$1.2 billion. The airports to be modernized include Coimbatore, Tiruchi, Thiruvananthapuram, Visakhapatnam, Port Blair, Mangalore, Agatti, and Pune. The Ministry of Civil Aviation has also approved greenfield airports at Navi Mumbai, Goa, Durgapur, Kannur, and Saras.

Upcoming Opportunities

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Investment opportunities of \$ 110 billion are being envisaged up to 2020 with \$80 billion in new aircraft and \$30 billion in development of airport infrastructure, according to the Investment Commission of India.

The Indian Ministry of Civil Aviation is also addressing other important issues that will result in long-to-medium term opportunities for U.S. companies. These opportunities include decreasing the systematic cost in the sector and determining the appropriate mechanism for providing air services to remote and commercially unviable sectors as part of a comprehensive long-term civil aviation policy. The Airport Economic Regulatory Authority (AERA) Bill was passed by the Indian Parliament to ensure that India's aviation infrastructure meets cost, efficiency, and service targets by making policies consistent with the International Civil Aviation Organization (ICAO) standards. Some notable developments are:

- Indian Aerospace companies are growing. Hindustan Aeronautics Limited (HAL) was ranked 40th in Flight International's list of the top 100 aerospace companies last year.
- Aircraft manufacturing major Boeing is in the process of setting up a \$100 million proposed Maintenance Repair Overhaul (MRO) facility in Delhi. Air India is also in the process of launching a Cargo Hub in Nagpur, while Deccan Aviation has already started one from the city.
- Modernization of Kolkata and Chennai airports are currently ongoing with a budget of \$900 million.
- City side development of major airports. This includes hotels and other passenger related amenities.
- An Aerospace and Precision Engineering Special Economic Zone with a proposed investment of \$641.2 million is being built at Adibatla, Ranga Reddy district, Andhra Pradesh.
- Augmentation of CNS/ATM system including ATFM, implementation of PBN, modernization of MET services and networking of civilian/military radars.

U.S. – India Relations in Civil Aviation

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U.S. – India relations in civil aviation are at an all-time high with regular exchanges at the highest levels by respective governments. U.S. exports of civil aviation equipment and services comprise over 15 percent of total U.S. exports to India.

The Ministry of Civil Aviation and the Federal Aviation Authority (FAA) of the United States meet regularly through the Joint Aviation Steering Committee. FAA also maintains an office at the U.S. Embassy in New Delhi.

In 2007, The U.S. and India Aviation Cooperation Program (ACP) was established at the initiative of the Department of Transportation and the Ministry of Civil Aviation. The ACP is a Public Private Partnership (PPP) between the U.S. Federal Aviation Administration (FAA), the U.S. Trade and Development Agency (USTDA), U.S. Commercial Service, U.S. companies, and the Government of India. U.S. companies are encouraged to become members of ACP to better explore and exploit opportunities in the Indian civil aviation sector.

In 2010, civil aviation was added as a new sub-committee under the High Technology Cooperation Group (HTCG). The HTCG was constituted in 2002 and provides a forum for the two governments to promote and facilitate bilateral commerce in high technology sectors, including defense and strategic trade, biotechnology, and nanotechnology. The sub-committee meets periodically under the leadership of U.S. Department of Commerce and Indian Civil Aviation Secretary Zaidi to discuss mutual areas of cooperation in airport infrastructure.

Resources

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For more information about export opportunities in this sector contact Jitender Jassal at jitender.jassal@trade.gov.

Useful Links include:

Ministry of Civil Aviation: <http://www.civilaviation.gov.in>

Airports Authority of India: www.airportsindia.com

Director General of Civil Aviation: <http://dgca.nic.in>

Aviation Cooperation Program (ACP): www.acp-india.com

Education Services

Overview

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India has one of the largest systems of higher education in the world. There are 568 universities in the country, including 291 state universities, 130 deemed universities (a status of autonomy granted to high performing institutes and universities by the Department of Higher Education), 42 central universities (established by the Department of Higher Education), 145 private universities, and 52 institutes of national importance, such as Indian Institute of Technology (IIT), and Indian Institute of Management (IIM). In addition, there are private and accredited universities, institutions created by an act of Parliament, independent institutes and over 16,000 colleges. Together they offer a wide range of degree and diploma programs. Source: <http://www.ugc.ac.in/stateuniversity.aspx>

Higher education in India is regulated by the University Grants Commission (UGC), All India Council of Technical Education (AICTE) and other councils established under applicable statutes for the regulation of education in specific fields. Some of the councils and the specific fields that they govern include Council of Architecture, Pharmacy Council of India, Indian Nursing Council, Medical Council of India, and Distance Education Council. Higher education institutions operating in India for at least 10 years can be conferred with a special status of 'deemed universities' (DUs) upon satisfying prescribed criteria. DUs have degree granting powers. AICTE is also the nodal body regulating the entry and operation of foreign universities / institutions in India.

Market Data

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Higher education has always been accorded a high priority status in the Indian society. The Government of India (GOI) aims to increase gross enrollment ratio in higher education to 30 percent by 2020, which means almost tripling the enrollment from 14 million to 47.2 million at a CAGR of 18 percent. The government has started programs to ensure continual supply of students for higher education programs.

India has a severe shortage of higher education institutions for its booming population where more than 30 percent of its 1.1 billion people are less than 14 years old. It is also generally accepted knowledge that quality of education varies widely among Indian institutions. To meet the needs and to prepare its large youth population for tomorrow's careers, India does not have sufficient capacity. If India is to meet its goals, an additional 1,000 universities and 50,000 colleges are needed.

India offers substantial opportunities for U.S. universities and other institutions of higher learning to establish programs and curriculum in India. Experts estimate the Indian education market at a potential value of \$28 billion.

United States - The chosen destination:

India is primarily a "graduate market" for U.S. institutions interested in attracting students. With the mushrooming of international schools in the country and the return to India of many U.S. citizen children born to Indian American parents, we anticipate an increase in interest in undergraduate study in the years to come.

In the 2011/12 academic year, 100,270 students from India were studying in the United States (down 3.5 percent from the previous year). India is the second leading place of origin for students coming to the United States. Students from India make up approximately 13.1 percent of the total foreign student population in the United States.

Academic Level: The majority of Indian students study at the graduate level. In 2011/12, their breakdown was as follows:

Student Level	Percentage of Total Students
Undergraduate	13%
Graduate	58.9%
Other (Executive education)	1.5%
OPT (Optional Practical Training)	26.7%

Note: Study abroad figures from Open Doors reflect credit given by U.S. campuses during the survey year to their students who studied abroad in the academic year just completed, including the summer term. Study abroad in 2011/12 will be reported in Open Doors 2012, once credit is awarded by the home campus.

Source: Open Doors: Report on International Educational Exchange, published annually by IIE with support from the U.S. Department of State's Bureau of Educational and Cultural Affairs. For more information, including press releases on foreign students in the U.S. and U.S. study abroad, and FAQs, including definitions of foreign students and foreign scholars, visit www.iie.org/opendoors

Competition for U.S. schools from other countries: American institutions have been losing significant market share to rivals from other countries, especially the United Kingdom and Australia. The United Kingdom, Australia, Canada and New Zealand have been aggressively promoting their programs in India. They have been actively participating in many education fairs and fully utilizing local education consultants as their marketing representatives to recruit students.

Opportunities

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U.S. educational institutions can participate in the Indian education market in two ways: by recruiting Indian students for their programs, or by creating educational exchange programs through joint ventures with Indian institutions. At present, foreign schools are not permitted to set up campuses and issue degrees in India.

Sub-Sector Best Prospects

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The best prospects for the U.S. schools wishing to attract Indian students or partner with an Indian school are as follows:

- i. Business and management
- ii. Engineering and Applied Sciences
- iii. Computer Science and IT
- iv. Social Sciences
- v. Physical and Life Sciences
- vi. Humanities
- vii. Medicine and Healthcare

(The prospects listed above are in the area of recruitment of India students and not for establishment of programs by the U.S. schools.)

Of all these specialties, engineering and business education offer the best opportunities for the U.S. schools as they provide high-quality and comprehensive programs that have global brand recognition and enable high degree of global mobility.

Regulatory Framework Foreign Institutions

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Entry of Foreign Entities

While 100% FDI in companies engaged in higher education is allowed on the automatic approval route, regulatory issues have constrained the actual flow of FDI. The major bottle-necks have been the “not for profit principle” and lack of clarity on existing regulations. AICTE prohibits foreign investment either directly or indirectly in the sponsoring entity.

AICTE regulations for Foreign Universities

AICTE has in place regulations for foreign universities /institutes which propose to collaborate / enter into twinning arrangement (where a student does part of the course in India and part overseas) in technical education. The broad features of these regulations are:

- Franchising is not permitted.
- Fee/seats are prescribed by AICTE.
- Degree/institution to be recognized in the home country
- Compliance with affirmative action mandatory
- For degree granting institutions, affiliation with Indian University mandatory

Foreign University Campuses – Legislation Awaited

The Foreign Educational Institutions (regulation of entry and operations) Bill has been pending in Parliament since 2010. Key features of the Bill are:

- Institution should own the Campus
- Franchising is not permitted
- Prior Central government approval mandatory
- Embassy to certify antecedents of the university
- Reservation prevailing in the country should be applicable
- Fee and admission policy will be regulated
- No profiteering/commercialization allowed
- Some relaxations for universities of excellence if they fulfill certain conditions
- Requirement of a deposit of \$10 million as corpus fund

U.S. and Indian Government Initiatives in Education Sector

Obama-Singh 21st Century Knowledge Initiative: The Obama-Singh 21st Century Knowledge Initiative, launched in 2010, creates a path for higher education partnerships between U.S. and Indian institutions. Both governments have pledged \$5 million for this endeavor, which will fund university linkages and junior faculty development. A Joint Working Group (JWG) with three members each from the United States and India has been constituted for implementation.

The program has the following broad components:

- Faculty Development
- Academic Leadership Programs
- Development of Community Colleges
- Enhancing Institutional Linkages

The Office of U.S. - India Higher Education Cooperation (USIHEC) is a recent addition to United States – India Educational Foundation (USIEF). It has been established through an initiative of the U.S. Department of State's Bureau of Education and Cultural Affairs. USIHEC engages institutions of higher education in the United States and in India to foster and enhance linkages between them. It seeks to deepen institutional ties in numerous ways: collaborative research, study abroad programs, faculty exchanges and conferences of higher education administrators from both countries.

USIHEC administers the Obama-Singh 21st Century Knowledge Initiative Awards and maintains a database of Indo-U.S. Educational Collaborations. The office also provides briefings to visiting delegations of U.S. academics and administrators who are exploring India for further understanding of the Indian higher education system. Similar briefings are also provided to Indian academics and administrators seeking to strengthen academic partnerships with U.S. institutions. <http://www.usief.org.in/Institutional-Collaboration/Obama-Singh-21st-Century-Knowledge-Initiative-Awards.aspx>

Web Resources

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For more information on opportunities in this sector contact U.S. Commercial Service - Industry Specialist – Sathya Prabha at Sathya.Prabha@trade.gov

Useful links

United States – India Educational Foundation
Ministry of Human Resource Development (MHRD)
University Grants Commission (UGC)
All India Council of Technical Education (AICTE)
Central Board of Secondary Education (CBSE)
National Institute of Open Schooling (NIOS)
National Council of Educational Research and Training (NCERT)
National Assessment and Accreditation Council (NAAC)
India Gandhi National Open University (IGNOU)
Distance Education Council (DEC)
Association of Indian Universities (AIU)
National Board of Accreditation of AICTE

www.usief.org.in
www.education.nic.in
www.ugc.ac.in
www.aicte.ernet.in
www.cbse.nic.in
www.nos.org
www.ncert.nic.in
www.naac-india.com
www.ignou.ac.in
www.dec.ac.in
www.aiuweb.org

www.nba-aicte.ernet.in

Environment and Water

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It is estimated that 30-40 percent of India's industrial units produce sizeable quantities of pollutants. There are about 3 million small-scale units in the country and most of these are not using any pollution control equipment. The Government of India has classified 17 industrial sectors as strong pollutants. India is one of the largest and one of the fastest growing producers of greenhouse gases.

India's pollution control equipment industry is growing at 10-12 percent annually, largely because of government initiatives and a proactive judiciary. Local production is limited to mainly standard, relatively low-tech equipment. Over thirty percent of market demand is met by imports. Germany, U.K., Japan, Canada, Australia, Netherlands, and Italy are among the major suppliers. The United States is the market leader for imports, having over 30 percent market share. Most of the leading international companies operate in India now.

Until recently, the environmental goods and services sector used to refer to solutions for air, noise and marine pollution, land and water contamination, environmental analysis and consultancy, waste management, and recycling. Now it also includes renewable energy technologies such as hydro, wave and tidal power, geothermal, wind and biomass, and emerging low-carbon activities like reduced emissions from the transport and construction sector, nuclear energy, energy management, carbon capture and storage, and carbon finance.

Some of the important environmental sectors include: water supply & waste water treatment; solid waste management; air and noise pollution; environmental goods and services; renewable energy, and clean development mechanism and carbon abatement technologies.

The total market size is estimated to be over \$8 billion, with renewable and energy efficiency sectors capturing over 50 percent of the market share.

Unit: USD million

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	6720	7390	8100	8500
Total Local Production	4700	5170	5900	6300
Total Exports	680	780	1300	1600
Total Imports	2700	3000	3500	3800
Imports from the U.S.	810	1270	1100	1150
Exchange Rate: N/A				

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

The Indian pollution control equipment industry is unorganized and dominated by small-scale industrial firms lacking the resources to invest in research and development. There are a few medium and large Indian engineering companies offering services and equipment as part of turnkey consulting services. For example, the water sector can be split into three categories:

- Large players like VA Tech Wabag, Degremont, Hindustan Dorr-Oliver, Paramount, Ion Exchange, Thermax
- Medium sized players like Doshion, Aquatech, Fontus Water, Driplex, TEAM, Ions Hydro
- Over 500 small players

The Ministry of Environment and Forest governs this sub sector and it has allocated a budget of over \$300 million for pollution abatement. The private sector has been investing substantially in environmentally friendly production processes and accounts for nearly half of demand in this segment. Poor enforcement of environmental laws is a key reason for the low market potential compared to developed countries. But with growing awareness about effects of pollution, and overall industrial and economic growth, the demand for pollution control equipment is expected to grow steadily. Imports constitute over thirty percent of the total market share. Unlike other sectors, multi-lateral and bi-lateral agreements on ecology and the environment play a major role in this sector. This results in an increased demand for imported pollution control equipment, because donor-led investments normally require international quality equipment that is not manufactured in India. Multinational corporations with manufacturing facilities in India insist on the

replication of technology for pollution control. This often requires imports. The United States has traditionally enjoyed a dominant position in the market, with over 30 percent of market share. In some segments such as air pollution control equipment, imports from the United States constitute almost 40 percent of total imports.

The market has undergone a lot of change in the last few years. In the water sector today, there are a dozen medium-sized companies which have rapidly increased their operations and won a number of projects. Also hundreds of small system integrators have formed all over the country, addressing local requirements. There has also been a geographical decentralization. In the last few years, many international majors have also entered the market. Indigenous development of various treatment vessels like resins, RO membranes and vessels have reduced costs and made various technologies easily available on a mass-scale. The other interesting trend in the market has been the move towards standardization of treatment systems as standard DM and RO plants have become more common over the last two years.

Sub-Sector Best Prospects

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Most promising sub-sectors in pollution control equipment include (for the next 3-5 years):

Sub Sector	Growth
Energy Efficiency and Renewable Energy	12%
Water and Wastewater Management	14%
Air Pollution Control	8%

Water is the most promising sub-sector. India's water and wastewater market has grown at a compounded annual growth rate of 14 percent from 2000-2010. Frost & Sullivan research has indicated that the market earned revenue of over \$1.2 billion in 2011. The business is almost equally split between the government and the private sector, but the industrial sector is growing at a higher rate than that of the municipal sector. The research indicates that power, food and beverage, pharmaceuticals, refineries and textiles are generating immense opportunities in the water and wastewater treatment equipment market. These industries prefer advanced treatment technological systems such as reverse osmosis (RO) membranes for treating their wastewater and their growth is expected to drive equipment sales. Municipal water and wastewater treatment is gaining importance, as the usage of disinfection systems such as ultraviolet, ozone, and electro chlorination is minimal in municipal water treatment plants at present. Market knowledge and skills have been increasing in recent times. For example, the water treatment market is gradually shifting from chemical treatment and DM plants to membrane technology. The concepts of wastewater recycling and zero discharge systems are growing quickly.

Opportunities

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The business opportunity in air pollution control lies with the red category polluting companies such as cement, steel, iron and power industries. Ambient air quality monitoring for cities is also an area of major opportunity.

In the water sector, the government sector is primarily involved in raw water treatment and sewage treatment operations. On the other hand, the private industrial sector includes equipment for clarification, sludge treatment, aeration, disinfection and filtration. Conventionally, the market has used demineralisers for treatment. However, over the last few years, reverse osmosis technology has grown in the market and gradually replaced DM. Newer technologies like ultrafiltration and electrodialysis are also entering the market now.

Some international companies in the water sector with a significant presence in India:

- Veolia Water, France
- Degremont, France
- VA Tech Wabag, Austria
- Thames Water, United Kingdom
- GE Water, United States
- Dow Chemicals, United States of America
- Dupont, United States of America
- Grundfos Pumps, Denmark

- KSB Pumps, Germany
- Nalco Chemicals, United States of America
- Drewtreat Chemicals, United States of America
- Krohne Marshall, Germany
- Endress + Hauser, Germany
- Emerson (Fisher Rosemount), United States of America
- Koch Group, United States of America
- Hydranautics, United States of America
- Pentair Group, United States of America
- Schlumberger / Actaris, France
- Amiantit, Saudi Arabia
- Netzsch, Germany
- George Fischer
- Aplaco, Saudi Arabia
- Metrohm, Switzerland

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For more information about export opportunities in this sector contact U.S. Commercial Service Industry Specialist:

Arup Kumar Mitra at arup.mitra@trade.gov

Ministry of Environment and Forests <http://www.envfor.nic.in>

Central Pollution Control Board <http://www.cpcb.nic.in/>

The Energy and Resources Institute (TERI) <http://www.teriin.org>

Environmental Information System – ENVIS: India <http://envis.nic.in/>

Asian Development Bank <http://www.adb.org>

World Bank <http://www.worldbank.org>

Franchising

Overview

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India is witnessing an unprecedented consumption boom. While the rest of the world still faces the impact of the economic slowdown, India is growing at approximately six percent per year. This has led to a population of over 300-350 million middle-income Indians with disposable incomes. This group continues to fuel the consumption demand in India. The many factors that contribute to increasing consumption include the emergence of a young urban elite population with increasing disposable income, changing lifestyles, mounting aspirations, penetration of satellite TV, increasing appetite for western goods, international exposure, options for quality retail space, and greater product choice and availability. The greater demand for goods in India is in turn generating a greater demand for franchises.

Domestic Market

A report by the Federation of Indian Chambers of Commerce and Industry estimates that over 30 percent of new food outlets, which are opening in almost all the cities across the country, are through the franchise system. As much as 17 percent of food and beverage outlets in the organized sector are operated by franchisors in the country. At present, there are 1,200 franchisors out of which 150 are exclusively covering food and beverage retail, 75 percent of which are of Indian origin and the rest are international. There are about 18,000 franchised restaurants in the country, and out of these 2,500 are managed by company-owned franchisors. A majority of the company-owned franchisors are engaged in food franchising. Other important sectors using a franchising business model are beauty salons and cosmetics, business services, apparel, education, food and beverage, retailing, and tours and travel. The biggest challenge for the franchise industry in India is that the government has not recognized it as a small business facilitator, unlike the United States. However, on December 16, 2009, the Government of India announced a liberalized policy, which removed the cap on royalty payments and government approvals. Prior to this change, businesses were required to obtain approvals for payments in excess of \$2 million on one-time fees and five percent on ongoing fees. With these hurdles cleared, more U.S. franchises are expected to seek opportunities in India.

Sub-Sector Best Prospects

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The top prospects for franchising include: food, education, retail, beauty salons/cosmetics, business services, apparel and travel/tourism.

Opportunities

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Since economic liberalization in 1991, India has witnessed extensive growth in the number of new businesses in the country. As a business model, franchising is ideally suited for Indian entrepreneurs. India has a vast pool of entrepreneurial energy and talent, and a pressing need for increasing self-employment and other employment opportunities.

With the Indian economy recording a sustained annual GDP growth rate of 5-6 percent, and the burgeoning Indian middle class promising to drive up nominal retail sales by 10 percent per year until 2015, the market is ripe for a franchising boom. Currently, the franchise market in India is estimated to be \$3.3 billion. Franchising in India is growing at an impressive rate of approximately 30 percent. Over 1,200 franchise systems are already operating in India, and approximately 25 of these systems are run by international companies. However, these systems still represent a very small piece of the overall retail pie. As the Indian market matures to the level of other developed economies, organized retailing will increase its presence as noted above. Franchising is expected to grow its share within retailing until it represents 50 percent of overall organized retail trade.

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Reserve bank of India: <http://www.rbi.org.in>
Franchising Association of India: <http://www.fai.co.in/>
Indian Brand Equity Foundation: <http://www.ibef.org>
Government of India Ministry of Finance: <http://finmin.nic.in/>

For more information about market opportunities in this sector, contact the U.S Commercial Service Industry Specialists in the following cities:

Mumbai - Aliasgar.Motiwala@trade.gov
New Delhi –Renie.Subin@trade.gov
Bangalore –Manjushree.Phookan@trade.gov
Chennai –Mala.Venkat@trade.gov
Hyderabad –Sathya.Prabha@trade.gov
Kolkatta – Arup.Mitra@trade.gov

Overview

The Indian healthcare sector is experiencing rapid change. Though this change has been under way for many years it has become significantly visible in the last decade, with a renewed thrust from both the government and a growing market for healthcare services and products.

The Indian healthcare industry was estimated at around \$78 billion in 2012 and expected to reach \$280 billion by 2020, on the back of increasing demand for specialized and quality healthcare facilities. The market is highly fragmented and dominated by private players. The industry is rapidly developing and is being fueled by large investments from existing corporate hospital chains and new entrants backed by private equity investors. This growth will be driven by healthcare facilities, public-private projects, medical diagnostic and pathological laboratories, and the health insurance sector. In addition, changing demographics, disease profiles and the shift from chronic to lifestyle diseases in the country has led to increased spending on healthcare delivery.

The Indian population of 1.2 billion people is growing at a rate of 1.6 percent per year. A growing old age population above 100 million, with rising incidence of lifestyle diseases, combined with rising incomes and affordability and increased penetration of health insurance are fuelling growth of the industry. However, considerable challenges exist in terms of service accessibility and patient care quality. As such, government support would inherently play a significant role in the overall development and growth of the sector.

Various innovative models are being explored to improve their performance and profitability, viz. telemedicine, specialty centers and day care centers. High upfront investments, long gestation periods, and rising real estate costs are compelling private players to innovate with business models and to expand into under penetrated tier II & III cities. As a result, these private players can capitalize on the opportunity to expand. The private sector is likely to contribute 80-85 percent of the \$86 billion healthcare investment required by 2025.

Health insurance is gaining high momentum in India. Gross health insurance premiums have increased at a CAGR of 30 percent from \$733.9 million in 2006-2007 to \$2.1 billion in 2010-2011. Penetration as a percentage of GDP has risen from 0.08 percent in 2008-2007 to 0.12 percent in 2010-11. This penetration of health insurance will significantly increase the affordability of healthcare services for the population. Several private insurance companies have entered the market and have empanelled hospitals to provide cashless treatment to subscribers of insurance companies.

In India, healthcare is provided through primary care facilities and secondary and tertiary care hospitals. While the first two categories are fully managed by the government it is the tertiary care hospitals that are owned and managed either by the government or private sector. The private sector's contribution to healthcare has been growing at a faster pace than government. The medical infrastructure market is estimated to have a growth rate of 15 percent. Both the government and private sector are planning several new specialty and super-specialty hospital facilities, as well as planning to upgrade existing hospitals. India currently faces a chronic shortage of healthcare infrastructure, especially in rural areas and tier II and tier III cities, and it is expected that India will have a potential requirement of 1.75 million new beds by the end of 2025. The opportunity also exists for overseas organizations to set up hospitals in India through FDI.

The new specialty and super-specialty hospital facilities depend on the import of high-end medical equipment, accounting for over 65 percent of the entire market. There is a need for sophisticated hospital equipment, especially operation theatre products. In view of the relatively low customs duty rates (9.2 to 15 percent) combined with an increasing number of healthcare centers specializing in advance surgery, India offers opportunities for the direct supply of high-technology, specialized medical equipment, products and systems.

The boom in medical tourism in the Indian healthcare sector is encouraging hospitals and hoteliers to strike alliances with each other. Presence of world-class hospitals and skilled medical professionals has strengthened India's position as a preferred destination for medical tourism. According to industry estimates, the medical tourism market is expected to expand at a CAGR of 27 percent to reach \$3.9 billion in 2014, up from \$1.9 billion in 2011.

E-healthcare/telemedicine, though in its infancy in India, is beginning to take root. Most public hospitals (funded by state governments) and private single and multi-specialty hospitals have purchased customized hospital management systems and other medical based IT products. Given the poor availability of quality healthcare facilities outside the large and second tier cities, telemedicine is expected to become a viable business proposition.

To ensure quality healthcare, in October 2005, the Government of India increased the list of medical devices covered under the Drugs and Cosmetics Act of 1940, bringing fourteen categories of implantable devices under regulatory control. These include hypodermic syringes and needles, stents, heart valves, catheters, intra-ocular lenses, hip and knee implants, in vitro diagnostics devices, and bone cements. An approved central licensing authority must license these devices for manufacture, sale or distribution. Hospitals are also seeking quality accreditations like JCI, NABH and ISO.

Unit: USD millions

Medical Devices & Equipment	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	4186	5189	6272	7719
Total Local Production	513	520	527	534
Total Exports	62	75	91	110
Total Imports	3735	4744	5836	7295
Imports from the U.S.	454	499 (Est.)	549	604

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: Statistical data are unofficial estimates from trade sources and industry. As this industry has not been well documented in the Indian context, the estimates of industry size vary significantly across different sources.

Imports from the U.S.: United States Census Bureau

Sub-Sector Best Prospects

The most promising sub-sectors in the healthcare and medical equipment sector are:

- Medical Infrastructure
- Medical and Surgical Instruments
- Medical Imaging
- Electro Medical Equipment
- Orthopedic and Prosthetic Appliances
- Cancer Diagnostics
- Ophthalmic Instruments and Appliances
- Dental Equipment

Opportunities

The growing demand for quality healthcare and the absence of matching delivery mechanisms pose a challenge and certainly a great opportunity. In Infrastructure – building, equipping, managing and financing of super specialty hospitals in India via FDI is another area for future growth.

A proper supply of equipment and medical consumables will also be an area with significant opportunity for U.S. companies. Several leading U.S. purveyors of hospital equipment and supplies have opened Indian operations to cater to this growing market.

Health insurance and hospital administration is another area in which U.S. companies can make a difference. This opportunity includes introducing and maintaining industry standards, and also classifying and certifying healthcare centers.

Other growth areas include diagnostic kits, reagents and hand-held diagnostic equipment. Imports constitute 50 percent of this market. Hand-held/portable diagnostic equipment (e.g., for blood sugar and blood pressure testing) is also a fast growing segment because India has around 45 million diabetics, a figure expected to swell to 70 million by 2025.

Web Resources

For more information about export opportunities in this sector contact U.S. Commercial Service Industry Specialist:

Ruma Chatterjee at Ruma.Chatterjee@trade.gov

Useful Links include:

Central Drug Standard Control Organization (CDSCO)

<http://www.cdSCO.nic.in>

Ministry of Health and Family Welfare (MOHFW)

<http://mohfw.nic.in/>

Indian Medical Association

<http://www.ima-india.org>

The Medical Council of India (MCI)

<http://mciindia.org>

The Federation of Obstetric and Gynecological Societies of India

<http://www.fogsi.org>

The Association of Indian Medical Device Industry

<http://www.aimedindia.com/>

Infrastructure (Roads, Ports, Railways)

Overview

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The total investment in all ten infrastructure-related sectors during the recently completed Government of India's (GOI) Eleventh Plan (2007-2012) totaled approximately \$400 billion or about 7.2 percent of the GDP of which 37 percent was sourced from the private sector. Of the total overall infrastructure investment, \$156 billion was spent on the development of roads, railways and ports with the private sector accounting for one-fifth of investment. Most of the private participation was in the form of public-private partnerships. According to the revised estimates of the GOI Planning Commission, the Twelfth Plan (2012 -2017) estimates a 50 percent contribution from the private sector out of a total plan outlay of approximately one trillion dollars. The 12th Plan projects \$200 billion in spending on roads and bridges, \$100 billion on railways and \$32 billion on ports.

India requires financing options, the latest technology, equipment, raw materials and technical services for building modern roads, high speed rail network, freight corridors and large ports. Several U.S. companies are already working with Indian infrastructure developers primarily in the design and planning stages. However, significant scope remains for new companies to enter the market.

Roads and Bridges: Roads and bridges account for 65 percent of freight and 85 percent of passenger traffic in India. India's road network of 4.2 million km, including 76,000 km of national highways, is the second largest in the world. Passenger traffic is projected to grow at 12-15 percent annually, while cargo traffic will see growth in the range of 15-18 percent. In order to attract private sector investment in road infrastructure, the Indian government allows 100 percent FDI in the road sector. The GOI also bears the cost of feasibility studies, land, relocation of utilities, and environmental clearances. Among other subsidies are the subsidies of up to 40 percent of the total cost of the project, 100 percent tax exemption during any 10 consecutive years within 20 years from the commissioning of the project, duty free importation of high capacity and modern road construction equipment, and the right to retain toll fees.

The apex body for national road construction is the National Highway Authority of India (NHAI). In budget year 2012-13 NHAI is expected to issue tenders for the construction of 10,000 km of roads under the PPP model. GOI plans to establish National Expressway Authority of India, which will have a mission to oversee the construction of 1,000 km of expressways nationwide.

Railways: India's plans for its railways include 25,000 km of new lines, 12,000 km of double tracks and 30,000 km of multiple tracks. Additionally, 14,000 km of lines will be electrified. In the near future, Indian railways will require 50 world-class stations, 280,000 wagons, 50,000 passenger coaches and 10,000 locomotives.

All the metro rail projects in the country have been undertaken either by private entities, or through the PPP model including the following:

- dedicated eastern and western freight corridors with high speed, high axle load and modern technology at a cost of \$5 billion; and
- four out of six identified high speed rail corridors to provide bullet train services operating at 250-350 kmph for 3,539 km of total track length.

Many large foreign companies such as Siemens, Mitsubishi, and Bombardier are competing for numerous rail projects, the total size of which is estimated at \$60 billion, such as rolling stock manufacturing plants, multi-modal logistics parks, cold-chain and port connectivity.

Ports: India boasts a long coastline of 7,500 km with 13 major more than 100 minor ports, which handle 90 percent of India's foreign trade by volume and 70 percent by value. The major ports handle about 75 percent of the cargo traffic with two largest ports – Mumbai Port and Jawaharlal Nehru Port Trust processing about 60 percent of India's container traffic. Altogether, the Indian ports handled over one billion tons of cargo in 2011. Indian ports are dogged by congestion due to high turnaround time. Since most of the major ports operate at 100 percent capacity, an improvement in efficiency will only be achieved through modernization of the cargo handling processes and introduction of state of the art technologies. Shipping lines continuously look for increasing size of vessels, without dredging of the Indian ports. Another major deficiency in the ports infrastructure is poor connectivity to the existing transportation networks.

According to the Planning Commission, the Indian ports must double their capacity to 2,302 MT in the next five years. The total capacity of the ports is planned to expand to 3,200 MT.

Aside from maritime ports, India has a network of 14,500 km of navigable inner water ways. About 45 million tons of cargo is moved annually through Inland Water Transport (IWT).

Statistics: The following projections and estimates are based on the Indian five year plans where the allocations are made.

Unit: USD millions	2007-2012 Eleventh Five year plan (2007- 2012)	2013 (estimated)	2014 (estimated)	2015 (estimated)
Total Market Size				
Roads	103236	28431	32053	36196
Railways	46341	12073	14348	17274
Ports	9910	3720	4506	5889
Total Local Production				
Roads	77400	21300	24075	27150
Railways	37040	9680	11520	13840
Ports	6930	2590	3750	4130
Total Exports				
Roads	5160	1420	1605	1810
Railways	2315	605	720	865
Ports	495	185	225	295
Total Imports				
Roads	30960	8520	9630	10860
Railways	11575	3025	3600	4325
Ports	3465	1295	1575	2065
Imports from the U.S.				
Roads	10320	2840	3210	3620
Railways	4630	1210	1440	1730
Ports	1485	555	675	885
Exchange Rate: 1 USD	50 INR	50 INR	50 INR	50 INR

Total Market Size = (Total Local Production + Total Imports) – (Total Exports);

Data Sources: Total Local Production: Estimates from the Planning Commission annual reports and economic surveys: 2010, 2011, and 2012.

Sub-Sector Best Prospects

Design and other engineering and technical services;
Construction equipment, road laying materials and chemicals;
Railway equipment, and technology;
Ports equipment, maritime technology;
Private sector financing for long-term infrastructure projects.

Opportunities

U.S. companies may find opportunities in the infrastructure sector to supply the latest technologies, equipment and offer technical services in all the three areas mentioned. Aside from the federal government, certain states are aggressive in promoting their infrastructure projects. In June 2012, the RBI allowed Indian companies in the infrastructure sector to obtain funds through External Commercial Borrowings (ECBs) of up to \$10 billion for repayment of outstanding rupee loans as well as for fresh projects (with certain conditions), which will enable foreign banks to finance long term infrastructure projects. Setting up of Infrastructure Debt Funds (IDFs) and reduction in withholding tax are some other positive measures that are expected to facilitate the flow of long-term debt into infrastructure projects.

Web Resources

For more information about export opportunities in this sector contact U.S. Commercial Service Commercial Officer James Golsen at james.golsen@trade.gov

Useful Links include:

Planning Commission, Government of India: <http://infrastructure.gov.in/>

National Highway Authority of India: www.nhai.org/

Indian Ports Association: <http://ipa.nic.in/>

Indian Railways: <http://www.indianrailways.gov.in/>

Infrastructure Conferences: <http://www.indiainfrastructure.com/conf.html>

Indian Road Congress: <http://irc.org.in>

Mining & Mineral Processing Equipment

Overview

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India possesses significant mineral resources. The country's mining sector employs over one million people and produces 87 different minerals. Its 2,649 mines are divided as follows: 573 coal mines; 553 metallic minerals and 1,523 non-metallic minerals. India ranks among the top ten global producers for the following metallic minerals: mica, barites, coal and lignite, iron ore, chromite, bauxite and manganese. India ranks third in worldwide production at 554 Million Metric Tons (MMT) in 2011-12 and consumption 649 MMT in 2011-12 of coal and lignite. The value of mineral production in India from April 2011- March 2012, excluding atomic minerals, was approximately \$38 billion, which shows a decrease of about 1.02 percent over the previous year. The decline in the value of mineral production is due to the restriction on exports as well as temporary discontinuance of mining due to lack of environmental clearances.

About 51 MMT of coal was imported during 2011-12 to bridge the shortfall of domestic production. The total estimated production during 2012-13 is 580.30 MMT and the estimated demand during the same year is 772.84 MMT. To bridge the gap between supply and demand, total projected coal imports are estimated at 142.93 MMT during 2012-13. Coal accounts for approximately 52 percent of the country's energy needs. Annual demand for coal is projected to be over 2 billion MT by 2032. The country has a potential coal-bearing area of approximately 17,303 sq. kilometers, of which only about half has been partially explored.

India's Investment Commission estimates that investment opportunities, valued at \$30-40 billion, will be available over the next ten years to explore and develop new coal mines, manufacture and sell state-of-the-art mining equipment and technology, and to create related infrastructure for the off-take of mined coal. At present, coal is transported inefficiently due to poor road and rail connectivity.

The Indian market for mining and mineral processing equipment is estimated at over \$3 billion. 80 percent of this is in the coal mining sector. Opencast mines contribute 88 percent of the total production, but there is a renewed focus on underground mining. A number of large opencast mines, those with more than 10 million MT per annum capacity, are in operation. With the focus on increased productivity and private investment in mining, India is expected to become a major market for advanced mining equipment and technology from the United States, Australia, and Germany. A few large manufacturers in each product segment dominate the mining equipment industry. Most of the global technology leaders are present in India as joint venture companies, or have set up their own manufacturing facilities or marketing companies. The industry has made substantial investments in the recent past to set up manufacturing bases. Among Indian companies, Bharat Earth Movers Limited (BEML) is the largest and has licensing agreements with international collaborators.

The Indian Mining and Construction Equipment (MCE) industry has over 200 players, with the top ten players accounting for over 75 percent of industry revenues. The Indian market is characterized by the presence of almost all the major international OEMs (Caterpillar, P & H, Komatsu, JCB) as well as Indian companies such as BEML, ACE and Escorts.

The industry comprises a wide array of products, namely, backhoe, wheeled loaders, hydraulic excavators, mobile cranes, dumpers, dozers, drills, and continuous miners, among others. The backhoe loader is the largest segment in unit terms, accounting for over 40 percent of industry volumes followed by hydraulic excavators (about 20 percent) and mobile cranes (about 15 percent). The revenue share of the industry is, however, skewed by the relative cost and tonnage of equipment sold within each category.

Although the country has a fairly large domestic manufacturing base, the demand for direct imports of advanced equipment and technology is growing, particularly in coal mining. Government-owned mining companies are the biggest buyers. Moreover, the large domestic manufacturers have foreign licensing agreements, which allow indirect import of the critical components for local assembly and incorporation in the indigenous equipment. There is also an opportunity to directly participate in the mining services market, through operating coal beneficiation plants as well as new or abandoned underground mines on contract. The demand for such services is particularly high for the new coal block lessees in the private sector. There is also a growing market for clean coal technology, such as coal bed methane extraction, coal gasification and coal to liquid projects. Ancillary services such as water and air pollution and hazardous waste management, as well as consulting for acquisition of mines in foreign countries provide additional opportunities.

Imports of low cost equipment: Indian mining companies are also importing low cost mining equipment from countries like China. Having a much larger domestic manufacturing base and a huge domestic market compared to India, Chinese equipment manufacturers have the competitive advantage of being significantly cheaper than the Indian equipment. A number of Chinese companies, including crane manufacturers like Zoomlin and wheel loader manufacturers like Sany, have already established a presence in India. They have manufacturing facilities, sales offices or marketing partnerships with Indian companies for selling their products here. A rough estimate suggests that mining and construction machines from China have a market share of about 12 percent in the wheeled loader segment, around 13 percent in the bulldozer segment and a strong presence in the market for concrete mixers. However, the low cost of buying Chinese equipment is offset by warranty and after sales service issues. To address these concerns, some Chinese manufacturers have initiated service partnerships with local established mining equipment manufacturers in India or set up their own service workshops. Although the domestic buyers are cautious about concerns related to quality and the availability of long-term after-sales service of Chinese equipment, future trends could be largely determined by the success of local partnerships in addressing these concerns. The longevity of such low cost equipment is also doubted by Indian customers and the resale value of the Chinese equipment is currently low. From marketing and customer service perspectives, U.S. companies should take advantage of their ability to compete on providing higher quality equipment, stronger warranty support, spares and after sales service to demonstrate long-term commitment to Indian customers.

Estimated size of mining equipment in India:

Unit: USD millions					
	2010	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	2400	2750	3000	3200	3400
Total Local Production	2150	2400	2700	2900	3100
Total Exports	400	450	450	450	475
Total Imports	650	750	750	750	775
Imports from the U.S.	260	300	300	300	315
Exchange Rate: 1 USD					

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production:

Total Exports:

Total Imports:

Imports from U.S.:

Statistical data are unofficial estimates from various trade sources; 2013 & 2014 figures are estimates.

Demand for service and spares to increase in importance: For a majority of manufacturers, about 15 percent of revenue is earned from the sale of spares and services. This enables the manufacturers to sell their goods initially at a competitive price while earning more in the service contracts - a life cycle approach to profitability. However, at current levels, the contribution to revenues in the domestic market from spares and services contracts remains low, because there is a relatively small amount of equipment in the market to service and due to the availability of non-OEM spares. Although the lifecycle for equipment averages around seven years, in India one can find equipment that is over 20 years old and still functional. Spares for undercarriages, buckets and bucket teeth have to be replaced faster based on surface and usage while engines, transmissions and axles have to be overhauled after 4-5 years of use. Hence, there is a strong potential for annual maintenance contracts (AMCs) and an aftermarket for spares. Coal India Limited (CIL), the largest buyer of mining equipment in India, has standardized the practice of soliciting bids on the basis of equipment and seven year maintenance contracts (MARC).

Pre-owned and rental equipment markets are still in their nascent stages: Although there is good potential for sales of used equipment in India, the market size of which is estimated at about three times the primary market, the country does not have an established common platform for trading in used equipment. There are also concerns about the import of used equipment, regarding quality and service/ availability of spares. The Indian government is considering a move to regulate the import of pre-owned mining equipment. The domestic manufacturers support this move. They argue that price competitiveness is not a major factor as India is perhaps one of lowest priced market in the world. Analysis has shown that the price point for a new piece of equipment manufactured and marketed in India is in many instances equivalent to the cost of a two- to four-year old piece of used equipment sourced from the global market. Importing a 15-

year-old machine also includes older technology which may not be as efficient and unlikely to meet emission and safety norms.

Rental companies have perhaps a greater dependence on imports for specialty equipment like piling rigs, foundation drilling, or heavy lifting equipment which are not currently manufactured here. The key equipment found in India's rental fleet includes backhoe loaders, pick-and-carry (PNC) cranes, excavators, motor graders and vibratory compactors. The rental firms are too dependent on imported equipment. The current rental market for earthmoving equipment in India is about 7-8 percent. In comparison, the global standard is about 50-80 percent. An average of 30 percent of the equipment sold in Europe, and over 60 percent in the U.K., goes to rental operators. A developed rental market ensures reduction in investment in projects by outsourcing the equipment requirement (including spares and services) and improving capacity utilization of equipment.

There are a few major organized players in the Indian mining equipment rental market including Quippo Infrastructure Equipment Limited, Sanghvi Movers Limited (for cranes), ABG Infralogistics Limited, GMMCO Limited and TIL Limited (TIL-for Caterpillar equipment). Usually these companies have a large fleet of over 100 machines. However, the market continues to be serviced mainly by small fleet owners with less than 10 pieces of equipment each.

Sub-Sector Best Prospects

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Coal India (CIL), a large government-owned conglomerate, plans to significantly enhance its production and productivity in the next five years. It is expected to invest heavily in large and specialized mining equipment and services, including long-wall loaders and draglines, jumbo drills, continuous miners, high-wall miners, powered support systems, excavators, shovels and rock cutters, mineral screening/washing/crushing/grinding systems, mine safety systems, underground communication and safety systems. In keeping with the current emphasis on clean energy options, India will also purchase coal beneficiation, underground coal gasification, coal to liquid, coal bed methane and coal mine methane technologies. Services such as geophysical surveys on coal seams and consulting for acquisition of new mines at international locations will be in demand. In addition to new equipment, some of India's private developers of mines are also interested in exploring the possibility of getting used or reconditioned equipment at a reasonable cost. There is a strong interest in joint ventures with large, international mine operators to explore virgin mines in India.

CIL mines more than 80 percent of India's coal reserves. Along with its eight subsidiaries, it is the largest buyer of coal mining equipment in the country. CIL runs a large fleet of nearly 6,000 heavy earthmoving machineries (HEMM), including 41 draglines, 670 shovels, 3,200 dump trucks, 1,000 dozers and 600 blast-hole drills. On average, CIL has purchased equipment valued at over \$2 billion every year and announced capital expenditure plans worth \$6 billion to significantly augment its production capacity in the next five years. This includes plans for setting up 20 new coal preparation plants with a capacity of 111 MMT with an estimated capital outlay of \$510 million. India's estimated shortfall of thermal coal in 2015 is 189 MMT- 50 percent of the projected demand. Indian power, steel and cement companies are aggressively scouting for coal assets abroad to secure long term coal supply.

Opportunities

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CIL is the largest company in India in terms of coal production. The company offers both investment and export opportunities for U.S. companies in the mining sector. It is also actively seeking to buy coal assets abroad, in the United States and elsewhere. Details of various CIL tenders and investment opportunities, as well as its procurement processes are available at <http://www.coalindia.in/>.

Two other government-owned companies in South India – Singareni Collieries Ltd. in Andhra Pradesh and Neyveli Lignite Corporation in Tamil Nadu -- are important end users of coal mining equipment. In the private sector, Tata Iron & Steel Company Ltd. (TISCO) in Jamshedpur, Jharkhand continues to be a major buyer of equipment for its captive coal mines. India's private sector power utility companies like Reliance, Adani, RPG Group, Jindal and Tata are also working on projects to develop, own and operate captive coal mines which will require the latest technology and equipment.

The captive mine lessees are under pressure from the government to start mining coal from the virgin coal blocks leased to them in recent years. These mine owners will resort to mining contractors to start production of coal in the near future.

NMDC Limited is India's largest iron ore producer and exporter, mining about 30 MMT from its three fully mechanized mines. Under expansion plans, the company aims to produce 50 million MT by 2015. It is also in a diversification mode, acquiring new mining leases in iron ore, coal and diamonds.

Other large mining companies in India include Essel Mining, Rungta Mines, Orissa Minerals Development Company, Vedanta Resources, Hindalco, Nalco and Steel Authority of India.

Given the recently liberalized Mineral Policy of the government, and with private entrepreneurs investing in the mining industry here, the opportunity for U.S. firms to enter the Indian market through joint ventures, technical collaborations and operating leases has grown immensely. Government-owned mines contribute 75 percent of the total value of all mineral production. In the last decade, however, the economy has been liberalized, tariffs lowered, state enterprises privatized and the country opened to investment in mineral exploration. It is the avowed policy of the government to withdraw from non-strategic sectors. Accordingly, public sector undertakings are being privatized gradually. In the iron ore sector, the second largest mineral mined in India in terms of quantity, 70 percent of the mining is done by the private sector. Likewise, private investment, including FDI, is being allowed to mine and process most minerals. India now allows 100 percent FDI in mining and exploration of non-core minerals like gold, silver, and diamonds. 100 percent FDI is also permitted in oil exploration and captive mining of coal and lignite. 50 percent FDI is permitted under joint venture with a public-sector unit. In coal processing (washing and sizing), 100 percent FDI is allowed. Over 200 coal blocks have been allocated to various end-users. Of these, approximately 28 blocks have started production. Total production from captive mines in 2011 was approximately 38 million MT.

Web Resources

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For more information about export opportunities in this sector contact U.S. Commercial Service Industry Specialist Shantanu Sarkar at shantanu.sarkar@trade.gov

Key websites:

Ministry of Coal and Mines
Coal India Limited
Mineral Exploration Corporation Ltd.
Central Mine Planning & Design Institute
Indian Institute of Coal Management, Ranchi
Publications of Indian Bureau of Mines
Department of Heavy Industry
Customs Duty
India Mining
Indian Bureau of Mines
Federation of Indian Mineral Industries
Directorate General of Mine Safety
NMDC Limited

<http://www.coal.nic.in>; <http://mines.nic.in>
<http://www.coalindia.in>
<http://www.meclindia.com/>
<http://www.cmpdi.co.in/>
<http://www.iicm-india.com/>
<http://ibm.nic.in/publication.htm>
<http://www.dhi.nic.in>
<http://www.cbec.gov.in/>
www.infomine.com/countries/india.asp
www.ibm.nic.in
www.fedmin.com
www.dgms.net
www.nmdc.co.in

Overview

PLASTIC INDUSTRY	April to March 2010-11(million tons)	April to March 2011-12 (million tons)	April to March 2012-13 (million tons) (estimated)	April to March 2013- 14 (million tons) (estimated)
Total Market Size (<i>polymer consumption</i>) (Including Plastic Products Imports)	8.74	9.6	10.5	11.4
Total Local Production	5.3	6.2	7.2	8.4
Total Exports	1.4	1.7	1.6	1.5
Total Imports	3.5	3.4	4.0	3.8
Imports from the U.S. (<i>million dollars</i>)	\$743.80			
Exchange Rate: 1 USD	\$45.29	\$46.30	53.04	

India is South Asia's leading market for plastics. This is one of the fastest growing plastics markets in the world, with a gross turnover of approximately \$22 billion and annual growth of 12 percent. Yet per capita plastic consumption of seven kilograms is 13 times less than that of the United States at 95 kilograms, nine times less than that of Europe (65 kilograms) and four times less than the world average (26 kilograms) – a clear indicator of the huge potential that the Indian market holds. The tremendous rate of consumption of plastics in almost every aspect of consumers' daily lives underscores the critical importance of this industry to the economic growth of a country. The greatest potential exists for commodity plastics – polyethylene (PE), polypropylene (PP), polyvinylchloride (PVC) and polystyrene. Some explanations of this are current low per-capita consumption, end use industry growth, increasing urbanization and changing lifestyles which are creating a greater demand for use of plastics in a variety of products and packaging.

Total annual polymer consumption in India from April 2010 to March 2014 is estimated at 10.06 million tons, registering a growth of nearly one million tons per year. The demand for polymers during 2011-12 was 8.5 million tons and estimated to grow by 10.4 to 10.5 percent per year. Therefore, the estimated demand during 2012-13 is 9.4 million tons, in 2013-14, 10.5 to 10.6 million tons and 11.5 million tons in 2014-15. These figures are supported by domestic capacity additions in polymers which stand at 8.9 million tons in 2011-12. Capacity during 2012-13 is 9.5 million tons, 10.4 million tons in 2013-14 and 11.5 million tons in 2013-14. There is a slowdown in capacity additions due to the global economic slowdown and this could extend into 2014-15. However, the demand is likely to grow due to the creation of downstream processing capacity resulting from greater demand for packaging in retail, the automotive sector and telecommunications equipment manufacturing. In 2010-11, local production was estimated at 5.3 million tons and is expected to increase 37 percent by March 2014 to 8.4 million tons. During the same period, imports are estimated to rise by 10 percent per year to 3.8 million tons. Between April 2010 and March 2014, the average annual figures are estimated at 6.77 million tons (local) and 3.67 million tons for imports.

Based on polymer consumption data, India's estimated additional requirement for machines by 2014-15 would be nearly 7,100 units, involving an investment of over \$1.2 billion. By 2016-17, the requirement is estimated to grow to nearly 8,200 units with an investment crossing \$1.7 billion. Assuming a compound annual rate of growth in the number of units of plastic processing machinery over the past five years, India's estimated additional requirement of machines by 2014-15 would be nearly 9,900 units involving an investment of over \$927 million. New machinery will contribute to more effective capacity utilization. India is willing to spend on advancements in new technology, new product designs, high output machines and

energy efficient equipment to replace older machines. New entrepreneurs entering the sector to invest in plants will favor this approach. By 2016-17, the requirement is estimated to grow to over 12,200 units with an investment crossing \$1.4 billion. It is reasonable to assume that, in the coming years, India could emerge as the third largest consumer of polymers after the United States and China.

The Market

India's market for polymers has registered 1.2 times India's GDP average growth of eight percent during the first four years of 11th Five Year Plan (2006 – 2011).

India maintains significant regional diversity in consumption of plastics with the west accounting for 47 percent, north states consuming 23 percent and southern India 21 percent. The huge demand and potential for the industry has resulted in generating large and steady investments, resulting in a massive increase in capacity though the industry faces criticism from environmentalists and lacks in technology. Imports of polymers have also increased sharply in the recent past. The most popular American polymers include polyethylene, polyacetals, polyethers and epoxide resins, polycarbonates, alkyds, polyallyl esters, and parings.

In terms of total volume of major petrochemical end products, the consumption of polymers (plastics, polyethylene, polypropylene and polyvinyl chloride) increased from 61 percent to 69 percent between 2005 and 2010. Polymers constitute 70 percent of the end products of India's petrochemical industry. Commodity polymers constitute 85 percent of the market share of the total polymer market and polypropylene and polyethylene account for 61 percent of market share of total plastic production. Because India has a deficit in commodity polymers (PE PP PS PVC), one-third of its demand is met through imports. There are a few compounding units of engineering plastic in India but the base polymers or resins are imported.

As of 2010-11, the Indian plastic industry comprised over 23,000 plastic processing units, more than 97,400 processing machines and 23.7 MMT of installed processing capacity. In terms of the number and types of machines, more than 62 percent were injection molding units followed by 30 percent extrusion and eight percent blow molding. The sector employs well over three million people. The major share of this large scale employment comes from the downstream plastics processing sector.

The Indian plastic processing industry has seen a shift from low output/low technology machines to high output, high technology machines. India needs to import high production and automatic blow molding machines, multilayer blow molding, stretch blow molding machines, specific projects involving high capex like PVC calendaring, multilayer film plants for barrier films, and multilayer cast lines, BOPP and nonwoven. Also required are multilayer blown film line up to 9/11 layers, automatic block bottom bags production lines, higher tonnage injection moulding machines >2000T and higher tonnage >500 T all electric injection molding machines.

The scope of application for plastics has increased significantly over the years with more and more sectors using it. There are many social and economic reasons for the growth such as developments in packaging applications, the infrastructure boom, modernization of agriculture, better healthcare facilities, improved lifestyle, disposable income and greater rural penetration for distribution of a variety of industrial and consumer products. With the boom in the auto sector, renewed investment in consumer goods like houseware products, the economies of scale are expected to force the processing industry to increase investment in large size, energy-efficient machines. For example, electric injection molding machines are increasingly becoming popular due to their energy efficiency, greater cleanliness, quick start-up, better repeatability, and quiet operations. In spite of higher costs, the industry is investing in these machines. The industrial market has experienced consumer marked preference for imported used injection molding machinery of late.

Opportunities

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Investment opportunities in plastic manufacturing equipment and supplies is estimated to reach \$10 billion by 2020. In addition, the existing plastic processing capacities offer a significant potential for upgrade through introduction of innovative technologies. At present, imported machinery accounts for about 40 percent of overall sales. There are more than 50 global manufacturers from China, Taiwan, Japan, Europe and the United States with shares in India's plastics machinery market. However, a steep rise in raw material costs resulting from an increase in crude prices may affect future profit margins in the industry.

Some of the areas offering the best investment prospects in the plastic industry are:

- World-class high capacity machines
- Enhanced design capabilities, molds, tools and dies and technological know-how manufacturing and management practices with an eye for quality and design
- Development of new products and applications
- Technology consultancy and technology transfer
- Foreign direct investment in the downstream sector, including in special economic zones, which have beneficial tax regimes

Since India is the highest recycler of plastic, there is huge growth potential for plastic recycling technology for PET bottles, recycling of automotive parts and reuse as blended with virgin material, recycling of e-waste, recycling of plastic waste to fuel, energy recovery route from plastic waste (incineration), and use of PE & PP waste for road construction. The estimated investment in local plant and machinery for the recycling industry is about \$27 million.

In the agriculture sector, plastic utilization in India is a mere one percent in comparison to seven percent in developed countries. Applications such as plasticulture, water management, nursery management, surface cover cultivation and controlled environment agriculture offer huge potential.

Auto manufacturers in India are also working hard to increase the use of lightweight materials to reduce cost and save weight for fuel economy. The average amount of plastic used in a car in India is 70 kilograms consuming plastic to the tune of 320 KTA which is expected to grow three times over in the next five years. The Indian polymers industry is oligopolistic with only three large producers - Reliance Industries Ltd., Haldia Petrochemical Ltd., the Gas Authority of India Ltd. and Indian Oil Corporation (commissioned in 2010-11). Major polymers produced in India are polythene, polypropylene and polyvinyl chloride. Current polymer capacities are mostly underutilized with operating efficiencies varying from 66 percent to 86 percent. India has a 360,000 TPA production capacity of PS and EPS. However, all these facilities are based on imported styrene since there is no local production. In the case of engineering plastic, there is a significant opportunity in India. ABS and polycarbonate are in great demand in India. ABS has a 100,000 TPA production capacity, while PC base resins are imported, though there are a few compounding units of PC in India. Production capacity of polyamides is limited, while other major engineering plastics are being imported to meet domestic demand.

With Reliance commencing operations in Jamnagar, Gujarat for PP and, Indian Oil Corporation (IOC) commissioning a plant in Panipat, Haryana for PP and PEs, it is expected that the demand/supply situation will be balanced for polyethylenes and there will be a surplus of PP in coming years. However, the capacity is still expected to be short for polyvinyl chloride and the deficit is likely to continue for several years. A joint venture between state-owned Hindustan Petroleum Corporation Limited (HPCL) and LN Mittal Group will commence operations soon at a refinery of 9 MMTPA (Million Metric Tonnes per Annum) in Bathinda, Punjab to produce clean fuels and polypropylene by processing heavy, sour and acidic crudes. Similarly, GAIL's capacity expansion at Auriya is expected to increase the supply of plastic in northern India. The West Bengal Industrial Development Corporation Limited, has launched a fully integrated industrial park for petrochemical downstream industries. Another poly park cluster project is under development in the port town of Haldia, 125 km from Kolkata. This park would serve downstream units of Haldia Petrochemicals Limited.

Companies supplying raw material/equipment in India include Rohm and Haas, Connell Brothers, GE Silicon, Moserbaer, Honeywell, and Ferromatik Milacron. Buyers of plastics technology and equipment in India include A.G. Industries (Automotive), Xpro India Ltd (Films), Jain Irrigation, Supreme Plastics Ltd., Essel Propack, UFlex Ltd., Machino Plastics Ltd., and Machino Polymers. Technology Sources – ABB; Lummus, USA; Honeywell (UOP) USA; DuPont, USA; Exxon Mobile, USA, and Shell USA, among others.

Resources

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For more information about export opportunities in this sector, contact U.S. Commercial Service Industry Specialist, Nisha Wadhawan at Nisha.Wadhawan@trade.gov.

Useful Links include:

Ministry of Chemicals and Fertilizers

<http://chemicals.nic.in/>

Planning Commission

<http://planningcommission.nic.in/>

Chemicals & Petrochemicals Manufacturers Association of India

<http://cpmaindia.com/>

PlastIndia Foundation

<http://www.plastindia.org>

All India Plastic Manufacturing Association

<http://www.aipma.net/>

Federation of Indian Chamber of Commerce and Industries (FICCI)

www.ficci.com

Power Generation and Clean and Renewable Energy

Overview

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With an existing population of over 1.2 billion, India has a growing energy demand and an increasing power deficit. In the last financial year against a peak demand of 135,453 MW, total power availability was 123,294 MW, a deficit of 12,000 MW. Today, more than 57 percent of the power generation in the country comes from coal power plants. Due to the shortage in the supply of coal, its side effects, and lack of clean coal supply, the Government of India (GOI) is increasingly looking at ways to generate more power through renewable energy resources. To achieve this goal, the GOI has designed and implemented certain policies and has attempted to provide a consistent and stable regulatory environment. As a result, in the last five years, the renewable energy segment registered a compound annual growth rate of approximately 20 percent while the conventional power generation segment grew only about seven percent. By the end of October 2012, India had an installed renewable energy power capacity of 26 GW contributing 12.5 percent of the total installed capacity. The growth has been particularly significant in the wind and solar sectors. The number of players including developers, manufacturers, and service providers in the two segments has also seen unprecedented growth.

Market Trends

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The renewable energy sector has seen significant growth and capacity additions in the past few years. While earlier renewable energy projects were undertaken primarily by corporations and small players, now the sector has seen the entry of a number of independent power producers (IPPs), energy majors and large conglomerates like CLP India, Infratech, Tata Power, Reliance, Adani Power, Lanco, Larsen & Toubro, Punj Lloyd and several pure-players like Welspun Solar, Azure Power, Sun Edison, Vikram Solar, SunBorne Energy, and Kiran Energy.

Domestic manufacturing capacity has also been on the rise. In wind, Gamesha, Leitner Shriram, and ReGen Powertech are some of the players that have forayed into manufacturing. Wind manufacturing capacity in India presently stands at 10,000 MW and is expected to go up to 14,000 MW by 2014. In solar, the market is dominated by joint ventures and technical collaborations with foreign firms that specialize in solar products. Some of the major PV cell and module makers include Moser Baer Photovoltaic, Tata Power Solar Systems, Titan Energy Systems, Solar Semiconductor, Photon Energy, and Indosolar Limited. The current cell and module manufacturing capacity in India is 1,100 MW and 1,800 MW. This is expected to increase to 2 GW and 3 GW, respectively.

Many foreign players have either entered or announced their intention of entering the Indian renewable energy space. This is a direct result of being successful in their own countries and the potential in this sector in India. In the wind segment, existing players like Gamesha and Enercon are expanding their manufacturing and new players like Titan Wind Energy Pte. and Gestamp Wind Steel are also setting up wind equipment production in the country. In the concentrated solar power (CSP) segment, given that domestic manufacturing capacity for solar blocks components is insignificant, CSP developers have opted for partnering with one of the major foreign technology providers either through direct partnerships or through an EPC contractor.

Opportunities

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Transmission and Distribution: The source of the power sector's ailments is the poor operational efficiency of the State Electricity Boards (SEB). Due to subsidized tariffs to residential and agricultural consumers, low investment in transmission and distribution (T&D) systems, inadequate maintenance, and high levels of distribution losses (about 20 percent in India), theft, and uncollected bills, the SEBs are continually in financial distress.

The GOI has set a target to add 100 GW of generation capacity in the XII Five-year Plan period to fulfill its promise of "Power to all." For the expected boost in the power sector, major policy changes at the central and the state level are to be expected. The Central Transmission Utility (CTU) was set up with the objective to create a national grid connecting all state and regional grids in the country. In the past, electricity was supplied by generating stations to load centers. However, with increased power generation capacity, the need for a national grid was felt for bulk power transmission between the five major regions of India with minimal losses. India now plans to connect all regional grids into a national grid by 2014 to improve transmission of power across the country. The \$18 billion plan to build the grid to increase country's inter-regional transmission capacity and enhance transfer of power from surplus regions to deficit areas is now

being implemented. As of January 2011, India's power transfer capacity stood at 20,750 MW, falling short of the XI Plan Period target of 32,650 MW. India now has a total length of around 240,000 km of transmission lines.

Power transmission in India was restricted to central and state utilities until the year 2006. Private sector investment was allowed in the form of 100 percent private equity or as a 74 percent joint venture with the CTU. The huge capital required for building efficient transmission infrastructure has attracted numerous domestic and international players.

The GOI is now actively encouraging private sector participation in transmission through PPPs and has identified select projects for implementation through competitive bidding. Opportunities in transmission capacity exist in the development of the national grid and intra-state transmission lines, ultra mega transmission projects (of 16 GW), and transmission joint venture projects. Seven inter-state transmission projects have been awarded to the private sector. In addition, global tendering processes for five additional projects with an aggregate capital expenditure of \$1.2 billion are in various stages of award. Encouraged by the success of the GOI, several state governments have also identified intra-state transmission lines for implementation under the PPP framework through the franchise route and three such projects have been awarded in the past year. There are distribution franchise opportunities in Maharashtra, Madhya Pradesh, and several other states.

The challenge before the sector is to build a strong integrated grid network that will allow large transfers from one part of the country to the other. The PPP model has so far elicited a positive response from all stakeholders and is set to see increased traction in the XII plan with a strong pipeline of projects. For India to become an integrated power player, the private sector will have to play a crucial role in establishing state-of-the-art power evacuation infrastructure in the country.

Renewable Energy: The Indian renewable energy market is estimated to be worth over \$28 billion as of October 2012, growing at an annual rate of 22 percent in value terms. Grid connected renewable energy capacity accounted for 26 GW or 12.5 percent of the total installed grid capacity as of October 31, 2012. In terms of actual energy contribution, renewable energy contributed approximately six percent of power generation in the country. The leading sources include wind power, small hydro power, and bagasse-based cogeneration. Solar, which has the highest potential, has grown rapidly in the last 1-2 years to increase its share from negligible levels to four percent. Some of the key drivers for the growth in the renewable energy sector include an increased focus on energy security and diversification in energy portfolio, policy and regulatory support, a continued demand for power and persistent electricity deficits, an increasing competitiveness of renewable energy vis-à-vis conventional sources, rural and remote region electrification, and mitigating climate change impact.

Several incentives and programs have been launched to attract investment in the renewable energy sector such as feed-in tariffs and renewable energy certificate trading. This has helped in increasing investor returns while renewable purchase obligation specifications have provided an assured market for solar and non-solar renewable energy development. In the past, the generation-based incentives have also played a key role in encouraging serious investors in the renewable energy segment. The Jawaharlal Nehru National Solar Mission of the central government and state level policies of Gujarat, Rajasthan, and Karnataka have helped attract unprecedented investments in the solar power sector.

- **Solar Power:** Development in this sector has been driven by the government's flagship Jawaharlal Nehru National Solar Mission (JNNSM) and state policies. This has led to the execution of almost 1,050 MW of solar power capacity in the last two years. Almost 80 percent of this capacity was commissioned during 2012. Solar capacity addition is expected to accelerate with new capacities allotted under JNNSM and state-level programs in Gujarat, Rajasthan, Karnataka, Tamil Nadu, Odisha, Madhya Pradesh, Andhra Pradesh, Punjab, and Kerala. Over 3,000 MW of solar capacity is expected to come on line this year.
- **Wind Power:** India's total wind-based installed capacity is close to 18 GW and thus contributes 70 percent to the total renewable based installed capacity. 2011-2012 was a record year for the wind industry which witnessed the highest ever annual capacity installation of 3,197 MW. The states with the highest installations are Tamil Nadu, Maharashtra, Gujarat, Rajasthan, and Karnataka. But the market for new wind plants seems to have slowed down substantially in 2012-13. The subdued performance was due to the economic slowdown, the withdrawal of the accelerated depreciation scheme, and the uncertainty surrounding the generation based incentive scheme for

wind owners for the XII plan period. Despite the current slowdown, wind power continues to remain a mainstay of India's renewable energy sector.

- **Biomass:** India has abundant bioenergy resources but only 10 percent of the total potential has been achieved so far. The estimated power generation capacity from biomass, including paddy husk, is 17,732 MW. In comparison the existing capacity is just 1,785 MW. Despite proven and mature technology, the segment continues to lag behind in attracting investors' interest mainly due to concerns relating to the availability and procurement of biomass/feedstock as well as its pricing. This is expected to be corrected with the launch of the much awaited National Bio Energy Mission in 2013.
- **Small Hydro Power (SHP):** SHP is seen as one of the major energy solutions in the hilly regions of the country which have several water bodies with reasonable energy potential. India currently has an installed grid-connected SHP capacity of over 3,400 MW but the Indian government aims to develop half of the identified potential of about 19,749 MW in the next ten years and is supporting SHP deployment through capital subsidies and preferential tariffs.
- **Waste to Energy:** The GOI has developed a National Master Plan for development of waste to energy in India. The GOI estimates that the potential to generate power from municipal solid waste will more than double by 2020, while the potential from industrial waste is likely to increase by more than 50 percent. In a country with high population density and limited landfill capacity, waste to energy power generation is a major priority.
- **Nuclear:** There should be opportunities in providing equipment and technology to boost India's nuclear power plants, but the process has slowed because of the environmental and security concerns and continued concerns over potential liability exposure for suppliers of equipment and designs.
- **Energy Efficiency:** The market potential for industrial energy efficiency products and services is projected to be approximately \$27 billion in 2018. Opportunities in efficiency improvement include smart grid metering and smart grids, IT and operation improvement.
- **Smart Grids:** At present the smart grid market in India is in a nascent stage but is projected to grow rapidly with plans to install several million smart meters in the next few years.
- **Green Buildings:** India has emerged as one of the world's top destinations for green buildings and has implemented a number of home-rating schemes and building codes, which open up a wide range of opportunities for U.S. companies in the energy efficiency sector.

Web Resources

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For more information about export opportunities in this sector contact U.S. Commercial Service Industry Specialist Renie Subin at: Renie.subin@trade.gov

Useful Links include:

Ministry of Power: www.powermin.gov.in

Ministry of New and Renewable Energy: www.mnre.gov.in

Central Electricity Authority - <http://www.cea.nic.in/>

Indian Renewable Energy Development Agency - www.ireda.gov.in

Confederation of Indian Industry: <http://www.cii.in/>

Federation of Indian Chambers of Commerce and Industry: <http://www.ficci.com/>

Travel and Tourism

Overview

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The World Tourism Organization estimates that India will account for 50 million outbound tourists who will spend about \$28 billion on travel by 2020. The Indian outbound numbers have been consistently growing with around 12 percent average annual growth over the last six to seven years making it one of the fastest-growing outbound travel markets in the world. According to the travel trends report compiled by Skyscanner, the United States has emerged as one of the top 10 outbound destinations for Indian travellers.

FASTEST GROWING (EMERGING) DESTINATIONS	PERCENTAGE INCREASE (DEC 2011 VS. NOV 2012)
1. Oman	249%
2. Kuwait	242%
3. Canada	207%
4. Saudi Arabia	202%
5. Qatar	201%
6. Bahrain	189%
7. United Arab Emirates (UAE)	167%
8. French Polynesia	138%
9. United States (US)	134%
10. Mauritius	133%

Source: <http://www.travelbizmonitor.com/trends--preferences-of-indian-outbound-travellers-skyscanner-report-19454>

Recognizing the tremendous potential in outbound travel from India, over 30 National Tourism Organizations (NTOs) from around the world have set up local offices in India. It is not surprising that even destinations such as Tobago and Ethiopia have stepped up their efforts to increase Indian outbound numbers to their respective countries. According to industry estimates, in percentage terms India is now the fastest growing outbound market in the world, and second only to China in pure numbers.

One of the key factors for NTOs being bullish about business from India is that the Indian economy has consistently fared better than most of the developed and developing economies. In addition, India has a middle class of 300 million including 1.6 million families having more than \$100,000 in annual income. This growing middle class with its increased purchasing power along with a willingness to spend on travel has made India one of the top markets for these NTOs.

An increased standard of living has allowed first-time travelers to realize a long-held dream to travel overseas. With the introduction of new low-cost carriers such as Air Asia in India, the cost of travelling to many outbound destinations has also declined significantly. This has given a boost to outbound travel, as statistics reveal that many Indians have started opting for value-for-money outbound vacation packages over domestic packages. For the more affluent, travel is moving higher up on their list of priorities. The industry has seen the upper socio-economic classes take more trips abroad, and has noted changing trends and expectations for their vacations. Adventure holidays, sports holidays and luxury vacations are gaining popularity among this segment. Here is a quick profile of the Indian outbound traveler:

- The Indian outbound traveler is a savvy, well-heeled consumer with smart buying habits.
- He is fast developing an interest in exploring everything new and is going beyond familiar circuits.
- He globetrots throughout the year, except for group departures, which take place during the holiday seasons.

- He is not the quintessential traveler from the metros in India; today, he hails from tier-II and tier-III cities as well.
- The budget travelers now look for quality on their vacations.
- The traveler is willing to splurge on areas that interest him.
- He has forced destinations to re-invent themselves, with his changing preferences and desire for uniqueness.

*Source: Today's Traveller Newswire – India Outbound 2012

While Thailand was the top outbound destination for Indians in 2011, the United States welcomed over 660,000 visitors from India. From January to November 2012, 677,868 Indians visited the United States – a new record. According to a projection released by The International Trade Administration (ITA), a body of the U.S. Department of Commerce, the U.S. anticipates a 50 percent increase in the number of travelers from India by 2016. Visitors from India spent a record-breaking \$4.4 billion in the United States in 2011, an increase of nearly 10 percent when compared to 2010. Annual U.S. travel and tourism exports to India have risen by double-digits in seven of the last eight years. Travel and tourism exports account for 40 percent of all U.S. services exports to India. Interestingly, shopping remains the number one activity for Indians visiting the United States.

A factsheet on India prepared by the ITA said that an overwhelming majority of Indian tourists visit the U.S. either for business / professional reasons or for visiting friends and relatives. Only a small percentage of them -- less than 10 percent -- visit the U.S. for leisure or vacation. The report also said that for nearly one third of Indian tourists, the U.S. was their first travel overseas. On average, an Indian tourist visited 1.8 American states and stayed in the U.S. for over a month-and-a-half. A detailed report is available at: http://tinet.ita.doc.gov/outreachpages/download_data_table/2011_India_Market_Profile.pdf

Statistics:

Unit: USD billions

	2011	2012 (estimated)	2013 (estimated)	2014 (estimated)
Total Market Size	95.84	106.71	118.8	132.27
Total domestic travel spending	64.01	71.70	80.30	89.93
Total foreign inbound visitor spending	12.33	13.56	14.91	16.40
Total outbound spending	15.1	16.61	18.27	20.09
Total travel to the U.S.	4.4	4.84	5.32	5.85
Exchange Rate: 1 USD = Rs. 55				

Data Sources: Total domestic travel + inbound travel + outbound travel

Total Domestic Travel Monitor India – A statistical guide to the Indian travel industry

Total inbound Travel: Travel Monitor India – A statistical guide to the Indian travel industry

Total Outbound travel: <http://data.worldbank.org/indicator/ST.INT.XPND.CD>

Travel to U.S.: http://tinet.ita.doc.gov/outreachpages/inbound.general_information.inbound_overview.html

Sub-Sector Best Prospects

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- MICE (Meeting, Incentives, Conference and Exhibitions)
- Honeymoon
- Luxury
- Adventure tours
- Escorted group tours

Opportunities

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The ever-increasing amounts of how much Indians spend while overseas prove that not only are Indians determined to travel more, they are also determined to spend more each year. Besides global branded goods, accessories, electronics, local souvenirs, fine gifts, fragrances and fashion, Indians are increasingly splurging on travel and accommodation.

The travel trend has also been changing. While business travel, holiday and VFR (Visiting Family and Friends) trips still dominate outbound volumes, there is a new trend of people opting for niche products like sports tourism, luxury travels, honeymoon packages and cruises. It is not uncommon for affluent Indians today to plan trips around cricket matches, golf tournaments, tennis matches, Formula-1 races, etc.

MICE (Meeting, Incentives, Conference and Exhibitions) group-travel is one of the fastest growing segments of Indian outbound travel. Companies in India are realizing the benefits that accrue to their businesses from organizing MICE trips, which involve large or small groups of people from their company or industry meeting at interesting foreign destinations for conferences, trade exhibitions, focused business meetings, or just recreation.

According to industry experts, between 1.2 and 1.5 million Indians will travel only for MICE purposes in the years ahead, and they will induce spending of around \$1 billion. While this figure may sound small as compared to developed markets, the Indian market for outbound MICE is growing at a very fast pace of 16 to 18 percent per year.

Web Resources

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Visit USA Committee – India Chapter
Travel Agents Association of India
Outbound Tour Operators Association of India
Travel Agents Federation of India

www.vusa.in
www.travelagentsofindia.com/
<http://www.otoai.org/>
www.tafionline.com/

Agricultural Sectors

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Agriculture's share in India's overall GDP is gradually declining with the current share at less than 14 percent while nearly 60 percent of the population depends on agriculture for its livelihood. Overall economic growth would be improved by a better performing agricultural sector, which is why growth in the sector is a priority of the Indian government.

The government maintains a costly price support system for wheat and rice, and also subsidizes fertilizer, credit and other farm inputs. State governments provide farmers with free or subsidized electricity and irrigation water. The cumulative effect of these interventions has been to distort prices, planting patterns, and marketing. The agriculture sector suffers from declining public, and relatively small private, investment. There is a shortage of warehouses and cold storage facilities, causing losses due to spoilage. Infrastructure such as roads, telecommunications, and electricity, is inadequate in rural areas and this impedes agricultural growth.

Although organized retail is growing with several large Indian corporations entering and expanding their operations, the recent economic slowdown had a temporary negative impact on this sector. The optimism in the food retail sector stems from a vibrant and growing economy, increasing purchasing power, and an increasing number of urban consumers demanding a more international shopping experience. This provides an opportunity for the supply of various U.S. food products to India. However, success in introducing a new product in this highly price sensitive market depends on an effective pricing strategy and familiarity with India's myriad food laws. High import tariffs and competition from inexpensive domestic and third-country products are other challenges.

Cotton

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India is the world's second largest producer and exporter of cotton. India will be in the export market for the next few years, until domestic consumption catches up with the production surge. However, India will continue to import extra-long staple (ELS) and quality long staple cotton (28-34 mm), with occasional imports of medium staple cotton when international prices are favorable. The United States has been one of the leading suppliers of cotton to India over the past few years. U.S. cotton exports to India in CY 2012 were valued at about \$106.5 million. Other major suppliers include Egypt, Australia, Commonwealth of Independent States (CIS), and West Africa. Indian mills that import US Pima and upland cotton are appreciative of its superior quality, consistency and higher ginning yield.

Tree Nuts

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Dry fruits and nuts (primarily almonds) have been one of the leading U.S. agricultural exports to India in the past, with exports in CY 2012 estimated at a record \$330 million. The United States is the largest supplier of almonds (mostly in-shell) to India, with a market share of about 75 percent. Other suppliers include Australia, Syria, China, Iran, and Afghanistan. Afghani almonds enjoy a 100 percent concession on the basic import duty under the Indo-Afghan trade agreement. Almonds are a preferred nut in India and are gaining popularity among the growing middle-income population due to their nutritional and health benefits. India also imports small quantities of dates, pistachios, hazelnuts, prunes, and raisins, mainly from the United States, Iran, Afghanistan, Pakistan, and the Middle East.

Wood Products

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India has removed virtually all non-tariff trade barriers on wood product imports, although tariffs remain high. Dwindling domestic supplies and restrictions on tree felling due to environmental concerns are likely to result in a more liberal import regime over the coming years. The domestic market is largely unorganized and highly price sensitive, but strong demand from the housing, furniture and construction sectors has made India a major market for imported wood products, valued at \$2.6 billion market in CY2012. Despite the preferential tariff structure, logs' share of India's forest product imports has been declining over the past decade. U.S. wood and wood product exports to India in CY 2012 were valued at a record \$49 million with processed wood constituting 75 percent of the imports.

Fresh Fruits

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India provides market access for most fresh fruits, although tariffs are high. With a growing segment of consumers insisting on high standards and year-round availability, there is increasing demand for imported fresh fruits. U.S. exports of fresh fruit (mostly apples and table grapes) to India in CY 2012 were valued at \$117 million. Market sources expect imports to continue to show excellent growth over the coming years, with new products expected to enter the Indian market.

Pulses

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India is the world's largest importer of pulses (peas, lentils, and beans), with annual imports ranging from 2.5- 4.0 million tons. In IFY 2011/12 imports totaled 3.97 million tons. India is primarily a price (rather than quality) market with imports sourced largely from Canada, Myanmar, Australia, Russia, China and the United States. The typically higher-priced U.S. green and yellow peas, lentils and garbanzo beans (chickpeas) have become more price competitive in the Indian market in recent years due to higher domestic prices. As a result, imports of pulses from the U.S., mostly of dry green peas and some yellow peas, witnessed significant growth during the past 5 years, reaching a record 224 thousand tons in CY 2009, but subsequently declining to 167 thousand tons in CY 2012. Nevertheless, India remains the second largest export market for U.S. pulses after Mexico. Pulses are currently exempted from import tariffs.

Vegetable Oil

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India is the world's largest edible oil importer, followed by China and the EU-27, with MY 2011-12 (Oct-Sep) imports estimated at 9.1 million tons. While lower-priced palm oil has traditionally dominated this price-sensitive market, exporters with competitively priced supplies of other oils, (for example soybean, cottonseed, corn, or sunflower oil), often find buyers in India. On January 23, 2013, the government of India introduced a 2.5 percent import duty on crude edible vegetable oils (see Customs Notification No 02/2013). The import duty on refined vegetable oils stands unchanged at 7.5 percent. In CY 2010, U.S. soybean oil was price competitive in India, resulting in commercial sales of around \$133 million dollar, up 11 percent over CY 2009. CY 2011 exports were negligible due to higher U.S. prices.

Planting Seeds

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India's planting seed imports during the Indian fiscal year 2011-12 increased to \$78.89 million as compared to \$63.75 million during the previous IFY 2010-11. Imports from the United States increased to \$6.84 million in 2011-12 as compared to \$6.07 million in 2010-11. The Indian seed industry is undergoing a transformation, which includes an increasing role for private seed companies, the rising presence of multinational seed companies, and wide-ranging changes in the regulatory framework. All of these will likely affect seed research, marketing, and trade in coming years. With demand for high quality fruits and vegetables growing from domestic consumers and the food processing industry, India's seed imports are likely to grow.

Snack Foods

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Consumers' changing life styles and the increasing disposable income of the middle class have spurred rising demand for imported snack foods, despite competition from local players. CY 2012 exports of U.S. snack foods to India reached a record \$6 million.

Hides and Skins

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India imported hides and skins worth \$81.9 million during CY 2012, about 13 percent less than the previous year. These were primarily used by the leather goods export sector. While India has historically imported from Europe, exporters from New Zealand, the Middle East and China have emerged as significant competitors. Imports of hides and skins from U.S. suppliers fell from approximately 2.5 million dollars in 2011 to 2.2 million dollars in 2012. Raw hide imports attract a zero tariff in India while wet blues attract a tariff of 14.71 percent.

Web Resources

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Ministry of Agriculture, Department of Agriculture and Cooperation: <http://agricoop.nic.in/>

Ministry of Agriculture, Department of Animal Husbandry, Dairying and Fisheries:
<http://www.dahd.nic.in/dahd/default.aspx>

Ministry of Commerce and Industry; <http://commin.nic.in/>

Ministry of Consumer Affairs, Food & Public Distribution; <http://fcamin.nic.in/>

Ministry of Food Processing Industries; <http://mofpi.nic.in/>

Foreign Agricultural Service (FAS), United States Department of Agriculture: <http://www.fas.usda.gov>

All India Food Processors' Association: <http://www.aifpa.net/>

Forum of Indian Food Importers: <http://www.fifi.in/>

National Seed Association of India: <http://nsai.co.in/>

Solvent Extractors' Association of India: <http://www.seaofindia.com/>

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Chapter 5: Trade Regulations, Customs and Standards

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Import Tariffs

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In 1991, India began to initiate economic reforms that have made the trade regime increasingly more transparent. These reforms are complimented by a consistent decline in import tariff rates over the past 15 years – from peak rates of 350 percent in June 1991 to an average of 10 percent today. However, India's tariffs are still relatively high by international standards, and these high tariffs and import restrictions have constrained U.S. firms from selling in this market, and U.S. investors from importing competitive inputs in several industries.

India's current regulations are guided by the Export Import (EXIM) Policy of 2009-2014. Imports are permitted in most cases without a license. There are some exceptions where items are prohibited or restricted (import permitted under license) or where imports are allowed only through a state-owned enterprise.

As of April 2001, India removed quantitative restrictions (QR) on a final batch of 715 items, completing the process of phased trade policy liberalization that was started in 1991.

India has appealed to the Appellate Body of the World Trade Organization against the recommendations of a WTO panel report on its quantitative restrictions on the import of agricultural, textile, and industrial products. India has challenged the panel's authority to determine whether the balance of payments can be used to justify imposition of import restrictions and the overall compatibility of regional trade agreements with WTO norms. The removal of QRs and the prospect of further reduction in tariffs to the Asian levels are likely to lead to a high degree of import competition.

Tariff Rates: India has progressively cut duties and taxes since 1991, after it began switching from a Socialist-style system to a market economy. However, domestic industry still enjoys relatively high levels of protection in several areas. U.S. companies face tariff and non-tariff barriers that impede their exports. One such area of protection is in the agricultural sector where Indian tariffs remain high compared to international standards. For non-agricultural goods, however, India has made considerable progress in restructuring tariffs. In February 2007, the Government of India (GOI) further reduced the peak applied customs duty on non-agricultural goods from 12.5 percent to 10 percent. The Indian government plans to gradually ease currency restrictions and reduce tariffs to the low levels prevailing in other Asian countries in order to make the Indian environment more conducive to improved economic performance.

Classification: As there are thousands of goods that are imported into India, it is not possible to prescribe rates of duty for each type of merchandise. The basic applicable legislation is the Indian Customs Act of 1962, and the Customs Tariff Act of 1975. The Customs Act of 1962 was created to control imports and prevent illegal imports and exports of goods. The Customs Tariff Act specifies the tariffs rates and provides for the imposition of anti-dumping and countervailing duties.

The Indian customs classification on tariff items follows the Harmonized Commodity Description and Coding System (Harmonized System or HS).

Customs uses six-digit HS codes, the [Directorate-General of Commercial Intelligence and Statistics \(DGCI&S\)](#) uses eight-digit codes for statistical purposes, and the [Directorate General of Foreign Trade \(DGFT\)](#) has broadly extended the eight-digit DGCI&S codes up to 10 digits.

It is also worth noting that the excise authorities use HS codes for classifying goods to levy excise duty (manufacturing taxes) on goods produced in India.

How Customs Duty is calculated:

All goods imported into India are subject to duty. There are several factors that go into calculating customs duty, including:

Basic Customs Duty (BCD): This duty is levied either as 1) a specific rate based on the unit of the item (weight, number, etc.), or more commonly, 2) ad-valorem, based on the assessable value of the item. In some cases, a combination of the two is used.

Additional Customs Duty (ACD): This duty is typically referred to as Countervailing duty or (CVD) and is levied on the assessed value of goods plus basic customs duty. Goods that fall into this category are imported goods that have similar goods manufactured in India. The objective is to protect domestic industry from imports.

Special Additional Customs Duty (known as Special CVD): Earlier known as surcharge, Special CVD tax is applicable on all items. It is levied at the rate of 4 percent of the basic and the excise duty on all imports.

Anti-dumping Duty: This is levied on specified goods imported from specified countries, including the United States, to protect indigenous industry from injury.

Safeguard Duty: The Indian government may by notification impose a safeguard duty on articles after concluding that increased imported quantities and under current conditions will cause or threaten to cause serious injury to domestic industry.

Customs Education Cess: Effective July 2004, India introduced a new education cess (duty) assessment. The current rate is three percent of Basic Customs Duty (BCD) and Additional Duty of Customs (ACD). Goods bound under international commitments have been exempted from this cess.

Customs Handling Fee: The Indian government assesses a one percent customs handling fee on all imports in addition to the applied customs duty.

Total Duty: Therefore, for most goods, total duty payable = BCD + ACD + Special CVD + Education Cess + Customs Handling Fee.

Tariff rates, excise duties, regulatory duties, and countervailing duties are revised in each annual budget in February, and are published in various sources, including BIGs Easy Reference Customs Tariff edition. A copy of this book is kept at the USA Trade Information Center in Washington DC and more specific information from this guide is available to U.S. Companies by calling 800-USA-TRADE.

While the Indian government publishes customs tariffs rates there is no single official publication that has all information on tariffs and tax rates on imports. Moreover, each Indian State levies taxes on interstate trade and commerce, which adds to the confusion. Effective April 2005, the Indian government implemented a Value-Added tax (VAT) system meant to replace the inter-state taxes, but implementation is not yet universal in all the States.

Duty exemption plan: The Duty Exemption Plan enables duty free import of inputs required for export production. An advance license is issued under the duty exemption plan. The Duty Remission Plan enables post export replenishment remission of duty on inputs used in the export product. Duty Remission plan consists of (a) DFRC and (b) DEPB. DFRC permits duty free import charges on inputs used in the export product. The government has wide discretionary power to declare full or partial duty exemptions "in the public interest" and to specify conditions such as end-use provisions. Almost half of India's total inputs enter under concessional tariffs, though the use of exemptions is falling in tandem with the tariff-reduction program.

Any restriction imposed on the free flow of trade is a trade barrier. Trade barriers can either be tariff barriers (the levy of ordinary negotiated customs duties in accordance with Article II of the GATT) or non-tariff barriers, which are any trade barriers other than tariff barriers.

Import Licensing: One of the most common non-tariff barriers is the prohibition or restrictions on imports maintained through import licensing requirements. Though India has eliminated its import licensing requirements for most consumer goods, certain products face licensing related trade barriers. For example, the Indian government requires a special import license for motorcycles and vehicles that is very restrictive. Import licenses for motorcycles are provided to only foreign nationals permanently residing in India, working in India for foreign firms that hold greater than 30 percent equity or to foreign nations working at embassies and foreign missions. Some domestic importers are allowed to import vehicles without a license provided the imports are counterbalanced by exports attributable to the same importer.

Standards, testing, labeling & certification: The Indian government has identified 109 commodities that must be certified by its National Standards body, the Bureau of Indian Standards (BIS). The idea behind these certifications is to ensure the quality of goods seeking access into the market, but many countries use them as protectionist measures. For more on how this relates to labeling requirements, please see the section on Labeling and Marking Requirements in this chapter.

Anti-dumping and countervailing measures: Anti-dumping and countervailing measures are permitted by the WTO Agreements in specified situations to protect the domestic industry from serious injury arising from dumped or subsidized imports. India imposes these from time-to-time to protect domestic manufacturers from dumping. India's implementation of its antidumping policy has, in some cases, raised concerns regarding transparency and due process. In recent years, India seems to have aggressively increased its application of the antidumping law.

Export subsidies and domestic support: Several export subsidies and other domestic support is provided to several industries to make them competitive internationally. Export earnings are exempt from taxes and exporters are not subject to local manufacturing tax. While export subsidies tend to displace exports from other countries into third country markets, the domestic support acts as a direct barrier against access to the domestic market.

Procurement: The Indian government allows a price preference for local suppliers in government contracts and generally discriminates against foreign suppliers. In international purchases and International Competitive Bids (ICB's) domestic companies gets a price preference in government contract and purchases.

Service barriers: Services in which there are restrictions include: insurance, banking, securities, motion pictures, accounting, construction, architecture and engineering, retailing, legal services, express delivery services and telecommunication.

Other barriers: Equity restrictions and other trade-related investment measures are in place to give an unfair advantage to domestic companies. The GOI continues to limit or prohibit FDI in sensitive sectors such as retail trade and agriculture. Additionally there is an unpublished policy that favors counter trade. Several Indian companies, both government-owned and private, conduct a small amount of counter trade.

Import Requirements and Documentation

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Import licensing requirements: In the last decade, India has steadily replaced licensing and discretionary controls over imports with deregulation and simpler import procedures. The majority of import items fall within the scope of India's EXIM Policy regulation of Open General License (OGL). This means that they are deemed to be freely importable without restrictions and without a license, except to the extent that they are regulated by the provisions of the Policy or any other law.

Imports of items not covered by OGL are regulated, and fall into three categories: banned or prohibited items, restricted items requiring an import license, and "canalized" items importable only by government trading monopolies and subject to Cabinet approval regarding timing and quantity.

The following are designated import certificate issuing authorities:

- The Department of Electronics for import of computer and computer related systems

- The Department of Industrial Policy and Promotion for organized sector firms except for import of computers and computer based systems
- The Ministry of Defense for defense related items
- The Director General of Foreign Trade for small-scale industries not covered in the foregoing.

Capital goods can be imported with a license under the Export Promotion Capital Goods plan (EPCG) at reduced rates of duty, subject to the fulfillment of a time-bound export obligation. The EPCG plan now applies to all industry sectors. It is also applicable to all capital goods without any threshold limits, on payment of a 5 percent customs duty.

A duty exemption plan is also offered under which imports of raw materials, intermediates, components, consumables, parts, accessories and packing materials required for direct use in products to be exported may be permitted free of duty under various categories of licenses. For the actual user, a non-transferable advance license is one such license. For those who do not wish to go through the advance-licensing route, a post-export duty-free replenishment certificate is available.

Advance License: An advance license is issued to allow duty free import of inputs, which are physically incorporated in the export product (making normal allowance for wastage). In addition, fuel, oil, energy, catalysts etc. that are consumed in the course of their use to obtain the export product, may also be allowed under the plan.

Duty free import of mandatory spares up to 10 percent of the CIF value of the license, which are required to be exported/ supplied with the resultant product, may also be allowed under Advance License.

Advance license can be issued for:

Physical exports: An advance license may be issued for physical exports to a manufacturer exporter or merchant exporter tied to supporting manufacturer(s) for import of inputs required for the export product.

Intermediate supplies: An advance license may be issued for intermediate supply to a manufacturer-exporter for the import of inputs required in the manufacture of goods to be supplied to the ultimate exporter/deemed exporter holding another Advance License.

Deemed exports: An advance license can be issued for deemed exports to the main contractor for import of inputs required in the manufacture of goods to be supplied to the categories mentioned in paragraph 8.2 (b), (c), (d) (e) (f), (g), (i) and (j) of the Policy. An advance license for deemed exports can also be availed by the sub-contractor of the main contractor to such project provided the name of the sub contractor(s) appears in the main contract. Such license for deemed export can also be issued for supplies made to United Nations Organizations or under the Aid Program of the United Nations or other multilateral agencies and paid for in foreign exchange.

Import Declaration: Importers are required to furnish an import declaration in the prescribed bill of entry format, disclosing full details of the value of imported goods.

Import Licenses (if applicable): All import documents must be accompanied by any import licenses. This will enable the customs to clear the documents and allow the import without delay.

Ex-factory invoice, freight and insurance certificates: These must be attached so that the customs can verify the price and decide on the classification under which the import tariff can be calculated.

Letter of Credit (L/C): All importers must accompany a copy of the L/C to ensure that payment for the import is made. Normally this document is counter-checked with the issuing bank so that outflow of foreign exchange is checked.

Not all consignments are inspected prior to clearance, and inspection may be dispensed with for reputable importers. In the current customs set-up, an appointment with the clearing agents for clearance purposes will avoid delays. In general, documentation requirements, including ex-factory bills of sale, are extensive and delays are frequent.

These cost investors time and money, including additional detention and demurrage charges, making it more expensive to operate and invest in India. For delayed clearances, importers seek release of shipments against a performance bond; furnishing a bank guarantee for this purpose is a more expensive

proposition. Customs have recently extended operations to 24 hours a day to ensure timely clearance of export cargo.

U.S. Export Controls

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The Indian and the U.S. governments formed a High Technology Cooperation Group (HTCG) in November 2002 to facilitate and promote high technology bilateral trade. The Bureau of Industry and Security (BIS) (formerly known as the Bureau of Export Administration, BXA) is the American government agency responsible for implementing and enforcing the Export Administration Regulations (EAR), which regulate the export and re-export of most commercial items. The BIS often refers to the items that they regulate as "dual-use" items, since these items have both commercial and military or proliferation applications, but purely commercial items without an obvious military use are also subject to the EAR. For further inquiries regarding the list of items requiring U.S. export clearance contact:

Director, Office of National Security and Technology Transfer Controls
14th Street and Constitution Avenue, NW
U.S. Department of Commerce,
Washington DC 20230
Telephone: 202-482-4196 Fax 202-482-4094
Website: <http://www.bis.doc.gov/>

For questions regarding end-use checks or to speak with enforcement, please contact:

Director, Office of Enforcement Analysis
14th Street and Constitution Avenue, NW
Room 4065
U.S. Department of Commerce,
Washington DC 20230
Telephone: 202-482-4255 Fax 202-482-0971
Website: <http://www.bis.doc.gov/>

Temporary Entry

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The Indian Customs Act, 1962 allows import of goods on a temporary basis into India. Section 74 of the Act provides for drawback on goods that are imported for a temporary period into India and exported out of the country.

As per the Section 74, drawback is allowable on re-export of duty paid goods. When the goods are re-exported out of India, the exporter will be entitled to a drawback of a specified percentage of the duty paid at the time of import. The procedure for claiming duty drawback under Section 74 is governed by provisions of the Re-Export of Imported Goods (Drawback of Customs Duties) Rules, 1995.

The rate of drawback available depends upon the time period for which the goods are stored in India or put to use. If goods are re-exported without being put to use in India, 98 percent of the customs duty would be available as duty drawback, provided that the exports have taken place within 24 months from the date of import.

However, under section 75 of the Act, where the goods are used in India subsequent to their import, the drawback is determined on the basis of the duration of use of the goods in India (the length of period from the date of clearance for home consumption and the date goods are placed under customs control for export). The procedure for claiming duty drawback under Section 75 is governed by provisions of the Customs and Central Excise Duties Drawback Rules 1995.

In addition, General Exemption No 14 of the Customs Tariff allows the import of goods for display or use at fair, exhibition, demonstration, seminar, congress and conferences, subject to specified conditions.

ATA Carnet: An ATA Carnet is an International Uniform Customs document issued in 71 countries including India, which are parties to the Customs Convention on ATA Carnet. The ATA Carnet permits duty free temporary admission of goods into a member country without the need to raise customs bond, payment of duty and fulfillment of other customs formalities in one or a number of foreign countries. The initials "ATA" are an acronym of the French and English word "Admission Temporaire / Temporary Admission".

Within the ICC World Chambers Federation, the World ATA Carnet Council (WATAC) runs the ATA system and its international guarantee chain. The Council is made up of representatives from the countries and territories where Carnets are issued and accepted.

Each country in the system has a single guaranteeing body approved by the national customs authorities and the ICC World Chambers Federation (Until June 2001, the International Bureau of Chambers of Commerce). The WCF is sponsored by the International Chamber of Commerce (ICC) in Paris. **In India, Federation of Indian Chambers of Commerce and Industry (FICCI), is appointed as National Guaranteeing & Issuing Association for ATA Carnets.** <http://www.atacarnet.in/about-ata-carnet.html>

Labeling and Marking Requirements

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Labeling is an important element for products being exported to India. English is the favorable language for labeling. All packets or even containers should carry information depending upon the consignment. Indian Customs are strict and ensure that imported items have the legally required information before these enter the retail market or are sold for consumption, excluding those products that fall under the EOU segment.

As per a Notification issued by the Ministry of Commerce on November 24, 2000, all pre-packaged commodities (intended for direct retail sale only) imported into India must carry the following declarations on the label:

- Name and address of the importer
- Generic or common name of the commodity packed
- Net quantity in terms of standard unit of weights and measurement. All units of weight or measurements must be metric. If the net quantity of the imported package is given in any other unit, its equivalent of standard units must be declared by the importer
- Month and year of packing in which the commodity is manufactured, packed or imported, and
- The maximum retail sales price (MRP) at which the commodity in packaged form may be sold to the end consumer. The MRP includes all taxes, freight transport charges, commission payable to dealers, and all charges towards advertising, delivery, packing, forwarding and the like.

Compliance of the above-stated requirements has to be ensured before the import consignments are cleared by Customs in India. The import of pre-packaged commodities such as raw materials, components, bulk import etc., that need to undergo further processing before they are sold to end consumers are not included under this labeling requirement.

Labeling requirements for packaged food products as laid down in the Part VII of the [Prevention of Food Adulteration \(PFA\) Rules](#), 1955, and the Standards of Weights and Measures (Packaged Commodities) Rules of 1977, require that the labels contain the following information:

- Name, trade name or description
- Name of ingredients used in the product in descending order of their composition by weight or volume
- Name and complete address of manufacturer/packer, importer, country of origin of the imported food (if the food article is manufactured outside India, but packed in India)
- Net weight, number or volume of contents
- Distinctive batch, lot or code number
- Month and year of manufacture and packaging
- Month and year by which the product is best consumed
- Maximum retail price

Wherever applicable, the product label also has to contain the following:

- The purpose of irradiation and license number in case of irradiated food
- Extraneous addition of coloring material
- Non-vegetarian food – any food which contains whole or part of any animal including birds, fresh water or marine animals, eggs or product of any animal origin as an ingredient, not including milk or milk products – must have a symbol of a brown color-filled circle inside a brown square outline prominently displayed on the package, contrasting against the background on the display label in close proximity to the name or brand name of the food.
- Vegetarian food must have a similar symbol of green color-filled circle inside a square with a green outline prominently displayed

All declarations may be:

- Printed in English or Hindi on a label securely affixed to the package, or
- Made on an additional wrapper containing the imported package, or
- Printed on the package itself, or
- May be made on a card or tape affixed firmly to the package and bearing the required information prior to customs clearance

Products displaying only the standard U.S. label cannot enter. With regard to the shelf life of imported food items, a Notification issued by the Ministry of Commerce on July 30, 2001, states that: "Imports of all food products, domestic sale and manufacture of which are governed by the [Prevention of Food Adulteration Act \(PFA\)](#) shall also be subject to the condition that, at the time of importation, these products have a valid shelf life of not less than 60 percent of its original shelf life. The shelf life of the product is to be calculated based on the declaration given on the label of the product, regarding the date of manufacture and the due date of expiry."

Prohibited and Restricted Imports

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For the most current information on India's Prohibited Import List, please see: <http://exim.indiamart.com/freedlist/prohibited.html>

Customs Regulations and Contact Information

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Information from the Government of India's Central Board of Excise and Customs, including FAQs for importers, is found here: <http://www.cbec.gov.in/cae1-english.htm>. Contact information and a telephone directory is included here: <http://www.cbec.gov.in/tel-dir-ason21feb12.htm>

Standards

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Overview

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Standards setting as a trend is gaining momentum in India. India has generally made efforts to match national standards in line with international norms, and most Indian standards are harmonized with ISO standards. Nonetheless, some Indian standards are not matched with international standards, and several recent standards-related regulations have created barriers to trade and posed challenges to expanding U.S. exports in certain sectors. India has also frequently failed to notify the WTO of new standards and allow time for discussion with its trading partners prior to implementation.

Because of pressure from consumer rights groups, NGOs, and environmental activists there is a growing emphasis on product standards in India in various industry sectors. The proactive role of the judiciary in formulating legal framework and regulations for better standards and control in sectors such as the environment have also contributed to an increased awareness and emphasis on product standards in India. But, for instance, while Indian food safety laws are outdated or in some cases more stringent than international norms, enforcement is weak.

Standards Organizations

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In India, voluntary standards are exclusively developed by the national standards body. The [Bureau of Indian Standards \(BIS\)](#), established under the Bureau of Indian Standards Act of 1986, is the national standards body of India responsible for development and formulation of standards. BIS is comprised of representatives of industry, consumer organizations, scientific and research bodies, professional organizations, technical institutions, Indian government ministries, and members of parliament.

Besides development and formulation of Indian Standards, BIS is involved with product certification, quality system certifications and testing, and consumer affairs.

The Ministry of Commerce, Government of India (GOI) has designated BIS as the National WTO-TBT Enquiry Point in accordance with its obligations to the agreement on Technical Barriers to Trade of the WTO. According to the agreement, BIS in liaison with the Indian Ministry of Commerce, issues notifications on proposed technical regulations and certification systems in India to the WTO. BIS's Technical Information Services Center responds to domestic and foreign requests for information about Indian standards, technical regulations and conformity assessment rules. U.S. companies that wish to make comments on any notifications can obtain copies of the text from BIS from the WTO-TBT Enquiry Point, Technical Information Services Center in BIS. BIS communicates comments to the Ministry of Commerce.

BIS is the only organization in India authorized to operate quality certification plans under an Act of Parliament. It serves as the official member and sets policy for Indian participation in the International Organization for Standardization (ISO) and International Electro technical Commission (IEC).

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>

Conformity Assessment

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A list of testing organizations spread throughout the country providing conformity testing against relevant Indian standards is available from the BIS website at: <http://www.bis.org.in/lab/lab.htm>

In association with technical GOI agencies and NGOs, BIS carries out periodic surveillance inspections of products under mandatory certification. A provision exists for sub-contracting certification surveillance activities to relevant competent agencies in specific areas. Certain types of steel, rubber, and electronic products are presently under such surveillance agreements.

Product Certification

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BIS's product standards are basically voluntary in nature, but subsequent to the removal of quantitative restrictions (QRs) on imports by India in 2000, the GOI, in order to provide protection to domestic producers in certain sectors, promulgated regulations dictating that imports of 109 products are subject to mandatory compliance with specified Indian quality standards. For compliance, all exporters/manufacturers of the 109 products are required to register with, and obtain certification from the Bureau of Indian Standards, before exporting such goods to India.

The list of 109 products includes various food preservatives and additives, milk powder, infant milk food, certain kinds of cement, household and similar electrical appliances, several types of gas cylinders, and multi-purpose dry batteries.

These 109 products generally must be tested and certified by BIS in India. BIS now however, also has a system for foreign companies to receive automatic certification for products not manufactured in India. The system is based on a self-certification basis, under which a foreign manufacturer is permitted to apply the standards mark on the product after ascertaining its conformity to the Indian Standard licensed for. At the foreign manufacturer's expense, BIS inspectors travel to the manufacturer's country to inspect their production facility to pre-certify the company and its production system, and then authorizes subsequent monitoring and compliance by an independent inspector to ensure that the company maintains the specified standards.

Information on the application procedure for BIS Product Certification Plan for foreign companies is available through the BIS website at: <http://www.bis.org.in>

Exporters/manufacturers of these products also are required to maintain a presence in India. This requirement does not apply if the foreign manufacturer nominates an authorized representative in India who

agrees to be responsible for compliance with the provisions of BIS on behalf of the foreign manufacturer as per an agreement signed between the manufacturer and BIS. Under separate arrangements some products have been placed under special certification plans of lot or batch inspections carried out by BIS inspecting officers. A majority of gas cylinders, deep well hand pumps and valves are certified through such plans.

To facilitate international trade and cooperation, India has plans to harmonize its standards with other countries, primarily with its main trading partners. A serious effort is being made by BIS to have mutual recognition of standards with various countries so that other countries provide recognition of the Indian standards on certain products and vice versa. The BIS has expressed interest in having mutual recognition agreements with U.S. organizations.

Accreditation

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The National Accreditation Board for Testing and Calibration Laboratories (NABL) established in 1985 as an autonomous body under the Department of Science & Technology is authorized by the GOI as the sole accreditation body for testing and calibration laboratories. More than 200 testing and calibration laboratories have been accredited to date. A list of accredited laboratories is available from NABL's website at: <http://www.nabl-india.org/nabl/html/about-intro.asp>

For international mutual acceptance of test results in order to be compliant with the WTO/Technical Barriers to Trade (TBT) regulations, NABL is a member of international organizations such as International Laboratory Accreditation Co-operation (ILAC) and Asia Pacific Laboratory Accreditation Co-operation (APLAC). NABL is a signatory to ILAC as well as APLAC Mutual Recognition Arrangements (MRA), based on mutual evaluation and acceptance of other MRA Partner laboratory accreditation systems.

Indian manufacturing companies are investing in standards accreditation. The number of plants in India with ISO 9000 and ISO 14000 accreditation increased from a negligible figure in the early nineties to many thousands today and numerous Indian companies have won the Deming prize for total quality management.

Publication of Technical Regulations

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An electronic version of Indian Standards is now available on CD-ROM from the Bureau of Indian Standards. Further information is available at <http://www.bis.org.in/other/iscd.htm>

Contacts

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Fax : 91-11-2323 4062, 2323 9399, 2323 9382
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Web: <http://www.nabl-india.org/>

Director General of Foreign Trade
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Tel: 91-11-2301 1777
Fax: 91-11-2301 8613
Web: <http://dgft.nic.in/>

Department of Consumer Affairs
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Trade Agreements

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India has entered into bilateral and regional trading agreements over the years. These agreements, besides offering preferential tariff rates on the trade of goods among member countries, also provide for wider economic cooperation in the fields of trade in services, investment, and intellectual property.

The preferential arrangement/plans under which India is receiving tariff preferences are the Generalized System of Preferences (GSP) and the Global System of Trade Preferences (GSTP). Presently, there are 46 member countries of the GSTP and India has exchanged tariff concessions with 12 countries on a limited number of products.

Other such preferential arrangements include the South Asian Association for Regional Cooperation (SAARC) Preferential Trading Agreement (SAPTA), the Bangkok Agreement and India–Sri Lanka Free Trade Agreement (ISLFTA). These arrangements/ agreements prescribe Rules of Origin that have to be fulfilled for exports to be eligible for tariff preference.

India and several Asian countries have signed a Comprehensive Economic Cooperation Agreement (CECA), which is an integrated package of agreements embracing trade in goods, services, investments and economic co-operations in education, science and technology, air services, and intellectual property. The agreements provide wide-ranging exemptions and reductions on basic customs duty on products imported from Singapore into India. The Indian Ministry of Commerce projected that 60 percent of India's future trade would be accounted for by free trade agreements (FTAs), with such countries as Paraguay, Argentina, Brazil, Pakistan and even China. In a major policy shift, the government has decided to convert all Preferential/Free Trade Agreements (PFA/FTA) into Comprehensive Economic Cooperation Agreements (CECA). This goes beyond the Indian government's bid in recent months to embrace bilateralism aggressively.

The decision seems to be aimed at mollifying the World Trade Organization (WTO), which cautioned India against negotiating exclusively PFAs/FTAs. PTAs/FTAs usually involve structured reduction in tariffs between two countries. CECAs would cover preferential relaxation of FDI rules vis-à-vis the partner country, tax holidays on investment and income, easing of visa restrictions etc. Trade in services too would come under the purview of CECA. Information on India's bilateral trade agreements is available at the Ministry of Commerce and Industry website: http://commerce.nic.in/trade/international_ta.asp?id=2&trade=i

Web Resources

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Trade regulations:

Import tariffs

<http://dgft.nic.in/>

<http://dgftcom.nic.in/exim/2000/policy/contents.htm>

<http://www.dgciskol.nic.in/>

<http://www.cbec.gov.in/>

Trade barriers

<http://www.ustr.gov/about-us/press-office/reports-and-publications/2011-0>

http://commerce.nic.in/medium_term/contents.htm

<http://www.ustr.gov/>

Import requirements and documentation

<http://dgftcom.nic.in>

<http://dipp.nic.in/>

U.S. export controls

<http://www.bis.doc.gov/>

http://www.access.gpo.gov/bis/ear/ear_data.html

<http://www.cbp.gov/>

Temporary entry

<http://dgftcom.nic.in/exim/2000/policy/chap-02.htm>

<http://www.atacarnet.in/>

Labeling and marking requirements

<http://www.bis.org.in/cert/man.htm>

<http://www.bis.org.in/cert/prooth.htm>

Prohibited and Restricted Imports

<http://commerce.nic.in/qr/default.asp>

Standards:

Overview

<http://www.bis.org.in/bs/index.htm>

<http://www.bis.org.in/org/obj.htm>

Standards Organizations

<http://www.bis.org.in/sf/powork.htm>

Conformity Assessment

<http://www.bis.org.in/lab/lab.htm>

<http://www.bis.org.in/sf/nrstd.htm>

Product Certification

<http://www.bis.org.in/cert/fm.htm>

<http://www.bis.org.in/cert/procert.htm>

<http://www.bis.org.in/sf/nrstd.htm>

Accreditation

<http://www.nabl-india.org/nabl/html/contact.asp>

Publication of Technical Regulations

<http://www.bis.org.in/other/iscd.htm>

Labeling and Marking

<http://www.bis.org.in/cert/man.htm>

Trade agreements

<http://commerce.nic.in/>

http://commerce.nic.in/trade/international_ta.asp?id=2&trade=i

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Chapter 6: Investment Climate

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- [Expropriation and Compensation](#)
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- [Efficient Capital Markets and Portfolio Investment](#)
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Overview of Foreign Investment Climate

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India's sizeable and rapidly growing domestic market, well-regulated and growing financial markets, large English-speaking population, and its stable democratic government make it an attractive place for investors. However, India underperforms its vast potential. Major areas of concern include rampant corruption, complex and lengthy investment and business approval processes, antiquated land acquisition and labor laws, and poor contract enforcement. India's historical preference for economic self-sufficiency informs current and proposed industrial and trade policies that protect domestic manufacturing, agriculture, and other sectors. In 2012, the World Bank's International Finance Corporation ranks India 132 among 183 world economies in its ease of doing business survey and the Organization for Economic Co-operation and Development ranks India high as a closed economy in its Foreign Direct Investment Restrictiveness Index. Furthermore, India's GDP growth slow-down in the past year, its large fiscal and current account deficits, and persistent inflation raise concerns about its economic outlook. In recent months, the government has taken some steps to ease Foreign Direct Investment (FDI) restrictions in certain sectors and to improve corporate governance laws. However, further policy reforms have been hung up in a stalemated parliament giving rise to uncertainty about the pace and efficacy of additional measures for improving the investment climate.

Power and decision-making is decentralized in India, therefore investors should be prepared to face varying business and economic conditions across India's 28 states and 7 union territories. There are differences at the state-level in political leadership, quality of governance, regulations, taxation, labor relations, and education levels. Although India prides itself on its rule of law, its courts have cases backlogged for years. By some accounts more than 30 million cases could be pending in various courts, including India's high courts.

Nevertheless, companies have found ways to succeed in this difficult market. Indian conglomerates and high technology companies are by many measures equal in sophistication and prominence to their international counterparts. Certain industrial sectors, such as information technology, telecommunications, and engineering are globally recognized for their innovation and competitiveness. Foreign companies operating in India highlight that success requires a long-term planning horizon and a state-by-state strategy to adapt to the complexity and diversity of India's markets.

Business Environment Indices:

-- Transparency International Corruption Index (TI): India's ranking remained in the lower third tier of countries. <http://archive.transparency.org/publications/gcr>

-- Heritage Economic Freedom: The marginal change in India's score reflects some improvements in labor freedom that were offset by declining scores in business freedom, freedom from corruption, government spending, and monetary freedom. <http://www.heritage.org/index/country/india>

-- World Bank/IFC "Doing Business 2013:" India's overall ranking has remained fairly consistent over the last four years. India's ranking has worsened in the areas of 'starting a business' (173rd), 'dealing with construction permits' (182nd), 'protecting investors' (49th), 'trading across borders' (127th), 'enforcing contracts' (184th) and 'paying taxes' (152nd). India ranked as the world's sixth slowest country in terms of the number of days it takes to resolve a commercial investment dispute. (<http://www.doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB13-full-report.pdf>)

-- Legatum Index: This global study of the factors that drive and restrain national prosperity, reflects a consistent decline in India's ranking since 2009. India's failure to maintain and improve healthcare (104th), education and literacy rates (100th), safety and security (114th), and social capital (138th) are a few examples that explain the country's decline in the rankings.

Measure	Year	Index/Ranking
TI Corruption Index	2012	94/176
Heritage Economic Freedom	2012	123/170
World Bank Doing Business	2013	132/185
Legatum Index	2012	110/142
MCC Gov't Effectiveness	2013	98%
MCC Rule of Law	2013	98%
MCC Control of Corruption	2013	73%
MCC Fiscal Policy	2013	4%
MCC Trade Policy	2013	35%
MCC Regulatory Quality	2013	84%
MCC Business Start Up	2013	47%
MCC Land Rights Access	2013	61%
Mgmt MCC Natural Resource	2013	35%

There are two channels for foreign investment: the "automatic route" and the "government route." Investments entering via the "automatic route," are not required to seek an overall approval from the central government. The investor is expected to notify the Reserve Bank of India (RBI) of its investment using the FC form within 30 days of inward receipts and the issuance of shares (www.rbi.org.in/scripts/BS_ViewForms.aspx). The title "automatic route" is somewhat of a misnomer in that investments in most sectors will still require some interaction with the Indian government at the state, or national levels or both.

Investments requiring government approval, also known as the "government route," are subject to seeking required authorization from the principal ministry and/or from the Foreign Investment Promotion Board (FIPB). The rules regulating government approval for investments vary from industry to industry and the approving government entity varies depending on the applicant and the product. For example the Ministry of Commerce and Industry (MOCI) Department of Industrial Policy and Promotion (DIPP) oversees single-brand product retailing investment proposals, as well as proposals made by Non-Resident Indians (NRIs), and Overseas Corporate Bodies (OCBs). An OCB is a company, partnership firm, or other corporate entity that is at least 60% owned, directly or indirectly, by NRIs, including overseas trusts. MOCI's Department of Commerce approves investment proposals from export-oriented units (i.e., industrial companies that intend to export their entire production of goods and services from India abroad). The jointly-led Ministry of Finance and MOCI Foreign Investment Promotion Board approves most other investment applications.

All new investments require a number of industrial approvals and clearances from different authorities such as Pollution Control Board, Chief Inspector of Factories, Electricity Board, and Municipal Corporation (locally elected entities), among others. To fast track the approval process for investments greater than \$200 million, the Government of India in December 2012 established the Cabinet Committee on Investment (CCI). CCI is led by the Prime Minister and is expected to fast track large new investment proposals.

Sector-Specific Guidelines for FDI in key industries

-- Banking: Aggregate foreign investment from all sources in all private banks is capped at 74%. For state-owned banks, the foreign ownership limit is 20%. According to the 2011 road map for foreign bank entry, there are three distinct ways to enter the Indian banking sector. The first is by establishing a branch in India. The second is to establish a wholly owned subsidiary, although it is important to note that foreign banks are permitted to have either branches or subsidiaries, but not both. The third is to establish a subsidiary with total foreign investment of up to 74%. Foreign investors are also allowed to acquire an ailing bank. Although the RBI has never authorized this type of transaction, FII is limited to 10% of the total paid-up capital and 5% in cases where the investment is from a foreign bank/bank group. Voting rights in private banks and state-owned banks are currently capped at 10% and 1%, respectively, and are not considered ownership. The Banking Regulation (Amendment) Bill, which would align voting rights in private banks with shareholding, remains in a Parliamentary committee and has yet to be introduced.

-- Manufacturing: 100% FDI is allowed in most sub-categories of the manufacturing sector. However, the government maintains set asides for MSEs (Micro and Small Enterprises). The Government of India definition for 'MSE' is a company with less than \$1 million in plant and machinery. Any investment in manufacturing that would not qualify as an MSE and manufactures items reserved for the MSE sector must enter via the Government route for FDI greater than 24%. Since 1997, the government has steadily decreased the number of sectors it protects under the national small-scale industry (SSI) policy. At its peak in the late 1990s, more than 800 categories were protected. The list is publicly available here: <http://www.dcmsme.gov.in/publications/reserveditems/reserved2010.pdf>. The 2011 National Manufacturing Policy (NMP) provides the framework for India's local manufacturing requirements in various sectors including in the Information and Communications Technology (ICT) and clean energy sectors.

-- Non-Banking Financial Companies (NBFC): 100% FDI is allowed via the automatic route. NBFCs include: merchant banking, underwriting, portfolio management, financial consulting, stock-brokerage, asset management, venture capital, credit rating agencies, housing finance, leasing and finance, credit card businesses, foreign exchange brokerages, money changers, factoring and custodial services, investment advisory services, and micro and rural credit. All investments are subject to the following minimum capitalization norms: \$500,000 upfront for investments with up to 51% foreign ownership; \$5 million upfront for investments with 51% to 74.9% ownership; \$50 million total, with \$7.5 million required up-front and the remaining balance within 24 months, for investments with more than 75% ownership. 100% foreign-owned NBFCs, with a minimum capitalization of \$ 50 million, are allowed to set up unlimited numbers of subsidiaries for specific NBFC activities and are not required to bring in additional capital.

Sector	% FDI	Route	Note
Advertising and Film	100%	Automatic	Includes film production, exhibition, distribution, and related services and products
Agriculture (Farming)	None		
Agriculture-related Activities	100%	Automatic	Seed industry, floriculture, horticulture, animal husbandry, aquaculture, fish farming, and cultivation of vegetables and mushrooms
	100%	Government	Tea plantations. Five years after making the initial investment in a tea plantation, foreign investors are required divest ownership to allow for at least 26% Indian ownership.
Airline Carriers (air transport services)	49%	Government	Scheduled and non-scheduled airline carriers also (NRIs may own 100% of a domestic airline.) The decision was announced in September, 2012, by the Cabinet Committee on Economic Affairs. Investments are

			required to follow relevant SEBI regulations that include the Issue of Capital and Disclosure Requirements (ICDR) Regulations and the Substantial Acquisition of Shares and Takeovers (SAST) Regulations. (http://pib.nic.in/newsite/PrintRelease.aspx?relid=87785)
	74%	Automatic	Non-scheduled, chartered, and/or cargo airlines.
	100%	Automatic	Investments in helicopter and seaplane services. Investors are required to seek approval from the Directorate General of Civil Aviation.
Airport Infrastructure	100%	Automatic	Green-field projects
	74%	Automatic	Existing projects. FDI greater than 74% requires FIPB approval
	49%	Automatic	Ground-handling businesses at airports.
	49-74%	Government	(NRIs are allowed 100%).
	100%	Automatic	Maintenance and repair operations, flight training institutes, and technical training institutes.
Alcoholic Distillation and Brewing	100%	Automatic	Requires a license from DIPP under the provisions of the Industries (Development and Regulation) Act, 1951.
Asset Reconstruction Companies	49%	Government	(FII is not allowed)Where any individual investment exceeds 10% of the equity, investors are required to seek approval as delineated in the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002.
Automobiles	100%	Automatic	Local content requirements and/or export obligations apply.
Broadcasting	26%	Government	(FDI, NRI, persons of Indian origin, and portfolio investment) frequency modulation terrestrial broadcasting. Subject to guidelines issued by the Ministry of Information and Broadcasting
	49%	Automatic	Direct-to-home broadcasting and mobile TV. TV channels, irrespective of ownership or management control, have to up-link from India and comply with the broadcast code issued by the Ministry of Information and Broadcasting.
	74%	Government	
	26%	Government	News and current affairs channels with up-linking from India, including portfolio investment
	100%	Government	Entertainment and general interest channels
	49%	Government	Establishing up-linking hub/teleports (http://pib.nic.in/newsite/PrintRelease.aspx?relid=87787)
Business Services	100%	Automatic	Data processing, software development, and computer consultancy services. One hundred% FDI is allowed for call centers and business processing outsourcing (BPO) organizations, subject to certain conditions.
Cable Network	49%		Approval is required, as articulated in the Cable Television Networks Rules, 1994
Coal/Lignite	100%		Setting up or operating power projects and coal mines for captive consumption.
	100%	Automatic	Coal processing plants, so long as the equity recipient does not sell processed coal in the open market.
	100	Automatic	Mining of coal or lignite for captive consumption
Coffee and Rubber	100%	Automatic	

Processing and Warehousing			
Commodity Exchanges	23% (FII) 26% (FDI)	Government	FII purchases shall be restricted to secondary markets only and no single foreign investor/entity can hold more than 5% of the total paid-up capital. (www.dipp.nic.in/English/Policies/FDI_Circular_02_2011.pdf)
Construction Development Projects	100%	Automatic	Permitted in the construction and maintenance of roads, highways, vehicular bridges, tunnels, ports and harbors, townships, housing, commercial buildings, resorts, educational institutions, and infrastructure. (Non-resident Indians are not authorized to own land.) Subject to certain minimum capitalization and minimum area-of-development requirements. Since 2010, the minimum capitalization requirement has been \$10 million for wholly owned subsidiaries and \$5 million for joint ventures with Indian partners. In the case of serviced housing plots, a minimum of 10 hectares (25 acres) must be developed, while in the case of construction-development projects, the minimum built-up area must be 50,000 square meters (approx. 538,000 square feet). At least 50% of the project must be developed within five years from the date of obtaining all statutory clearances.
Credit Information Companies	49% (FDI)	Government	Requires FIPB and RBI approval
	24% (FII)		No single investor/entity can own shares worth more than 10% of the total paid-up capital. Furthermore, any acquisition in excess of 1% requires mandatory reporting to RBI.
Courier Services (Other Than Distribution of Letters)	100%	Government	
Defense and Strategic Industries	26%		Subject to a DIPP license in consultation with the Defense Ministry. Production of arms and ammunition is subject to additional FDI guidelines. Purchase and price preferences may be given to Public Sector Enterprises as per Department of Public Enterprise guidelines. The licensee must establish adequate safety and security procedures once the authorization is granted and production begins.
Drug/Pharmaceuticals	100%	Automatic	Greenfield investments
	100%	Government	Brown-field investments
E-commerce	100%		Business-to-business e-commerce under the government approval route. No FDI is allowed in retail e-commerce.
Education Services	100%	Automatic	In practical terms restrictions limit investments to education service providers rather than educational institutions. The Foreign Educational Institutions (Regulation of Entry and Operations, Maintenance of Quality and Prevention of Commercialization) Bill pending in Parliament would, if passed, allow foreign universities to establish campuses independently without working with an Indian partner institution, but with conditions attached.
Food Processing	100%	Automatic	For fruit and vegetable processing, dairy products, meat and poultry products, fishing and fish processing, grains, confections, consumer and convenience foods, soft bottling, food parks, cold chain, and warehousing. The exception is for alcoholic beverages and beer, where a license is required.

	100%	Automatic	For cold storage facilities.
Hazardous chemicals	100%	Automatic	A DIPP license is required under the provisions of the Industries (Development and Regulation) Act, 1951.
Health Services	100%	Automatic	
Hotels, Tourism, and Restaurants	100%	Automatic	
Housing/Real Estate	None		NRIs who obtain "Overseas Citizenship of India" status are allowed to own property and invest in India as if they were citizens. NRIs may invest up to 100% FDI with prior government approval in the real estate sector and in integrated townships including housing, commercial premises, resorts, and hotels, as well as in projects such as the manufacture of building materials.
Industrial explosives	100%	Automatic	Manufacturers of explosives or materials deemed by the Indian authorities as explosives are required to obtain a license to set up factory operations from the state government's industry commissioner.
Industrial Parks	100%	Automatic	The industrial park must include at least ten units with no single unit occupying more than 50% of the area, and at least 66% of the area is made available for industrial activity.
Information Technology	100%	Automatic	For software and electronics development. However no FDI is allowed in companies that develop software for the aerospace and defense sectors.
Insurance	26%	Automatic	Investors must obtain a license from the Insurance Regulatory and Development Authority (IRDA). In October 2012, the Cabinet cleared an amendment to raise the cap on foreign investment to 49%. The bill is pending in the Parliament.
Infrastructure Companies in the Securities Market (i.e., stock exchanges, depositories, and clearing corporations)	26%	Government	Over and above the FDI limit, FII's are allowed to buy shares through the secondary markets up to 23% of the paid up capital through the automatic route. FIIs are only allowed to invest via secondary markets.
Legal services	None		In March 2010, a Chennai-based attorney, on behalf of the Association of Indian Lawyers, filed a writ of petition in the Madras High Court against 31 foreign law firms, the Bar Council of India, and the Ministry of External Affairs in order to prevent foreign law firms from practicing in India. The Madras High Court has repeatedly delayed a decision in order to give the court more time to consult with foreign firms. The outcome of the case remains unresolved and the future of foreign law firms practicing in India remains uncertain. The petitioner in the Madras case and other opponents to allowing foreign investment in legal services, with a particular focus on U.S. attorneys, insist foreign firms should be barred from practicing law in India until there is reciprocity in the U.S. market. Law firms from the UK and other countries have found alternatives to the ban on FDI.
Lottery, Gambling, and Betting	None		
Mining	100%	Automatic	For diamonds and precious stones, gold/silver, and other mineral mining and exploration.
	100%	Government	For mining and mineral separation of titanium minerals and

			ores.
Pensions	None		The Parliament is currently considering a law that would establish India's Pension Fund Development and Regulatory Authority and lift the ban on FDI. It is unclear when the draft legislation will become law.
Petroleum	100%	Automatic (tax incentives, production sharing, and other terms and conditions apply)	Discovered small fields
			Refining with domestic private company
			Petroleum product/pipeline
			Petrol/diesel retail outlets
			LNG Pipeline
			Exploration
			Investment Financing
			Market study and formulation
	49%	Government	Refining by public sector company, disinvestment is prohibited For equipment manufacture, consulting, and management services.
Pollution Control	100%	Automatic	
Ports and harbors	100%	Automatic	For construction and manufacturing of ports and harbors. Security clearances from the Ministry of Defense are required for all bidders on port projects, and only the bids of cleared bidders will be considered.
Power	100%	Automatic	For the power sector (except atomic energy) which includes generation, transmission, and distribution of electricity, and power trading. FDI up to 49% is permitted in power exchanges; such foreign investment would be subject to an FDI limit of 26% and an FII limit of 23% of the paid-up capital. For power exchanges, FII investment would be permitted under the automatic route and FDI would be permitted under the government approval route.
Print Media	26%	Government	Newspapers and news periodicals.
	100%	Government	Printing science and technology magazines/journals.
	100%	Government	Publication of facsimile editions of foreign newspapers.
Professional services	100%	Automatic	For most consulting and professional services, including accounting services.
Research and Development Services	100%	Automatic	
Railways	None		Train operations
	100%	Government	Auxiliary areas such as rail track construction, ownership of rolling stock, provisioning of container services, and container depots.
	100%	Government	Building of "fixed railway infrastructure" including railway lines for the purpose of increasing port connectivity with industrial and logistical parks, mines, and other parts of the country.
Retailing (single brand)	100%	Government	Investors are required to meet a 30% local content requirement sourced from domestic SMEs. (http://pib.nic.in/newsite/PrintRelease.aspx?relid=87766).

Retailing (multi-brand)	51%	state-by-state basis	Investment is conditioned on 1) state government opening of the retail sector 2) investment in cities with a population greater than a million residents, 3) invest a minimum of 50% in developing backend infrastructure, and 4) source 30% of the total value of the products sold from Indian SMEs.
Roads	100%	Automatic	Including Highways, and Mass Rapid Transport Systems
Satellites	74%	Government	For the establishment and operation of satellites.
Security Agencies	49%	Government	
Shipping	74%	Automatic	
Storage and Warehouse Services	100%	Automatic	Including for cold storage warehousing of agricultural products.
Telecommunications	74%	Government	This sector is considered to be 'sensitive' by the GOI and therefore foreign investment is carefully scrutinized and monitored. FDI in the telecom services sector can be made directly or indirectly in the operating company or through a holding company, subject to licensing and security requirements.
	49%	Automatic	In telecom services such as basic, cellular, access services, national/international long distance, V-Sat, public mobile radio trunked services, global mobile, unified personal communication services, ISP gateways, radio-paging, and end-to-end services.
	74%	Government	Equipment manufacturing. Note: Some telecommunications investments require 26% divestment within the first five years of the investment.
	49%	Automatic	
	100%	Government	Internet service providers (ISP) with and without international gateways, including those for satellite and marine cables.
	49%	Automatic	
	100%		Fiber-optic, right-of-way, duct space, voice mail, and email. Note: Some telecommunications investments require 26% divestment within the first five years of the investment.
Trading/Wholesale	100%	Automatic	For exporting, bulk imports with export warehouse sales, and cash-and-carry wholesale trading. A wholesaler/cash-and-carry trader cannot open a retail shop to sell directly to consumers.

Conversion and Transfer Policies

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The Indian Rupee is fully convertible for current account transactions, which are regulated under the Foreign Exchange Management Rules, 2000. Prior RBI approval is required for acquiring foreign currency above certain limits for specific purposes (e.g., foreign travel, consulting services, and foreign studies). Capital account transactions are open for foreign investors and subject to various clearances. In recent years, with growing foreign exchange reserves, the Indian government has taken additional steps to relax foreign exchange and capital account controls for Indian companies and individuals. For example, since 2007, individuals are permitted to transfer up to \$200,000 per year abroad for any purpose without approval. On December 31, 2012, the exchange rate was Rupees 55/\$, compared to Rupees 53.2/\$ and 44.8/\$ at the end of 2011 and 2010, respectively. The slow economic recovery in many of India's trading partners coupled with domestic inflationary pressure has contributed to the Rupee decline vis-a-vis other hard currencies. Other conversion restrictions include:

-- NRI investment in real estate may be subject to a "lock-in" period.

-- Profits and dividend remittances, as current account transactions, are permitted without RBI approval but income tax payment clearance is required. There are generally no transfer delays beyond 60 days.

-- RBI approval is needed to remit the proceeds of sales of assets.

-- Foreign partners may sell their shares to resident Indian investors without RBI approval, provided the shares were eligible to be repatriated out of India.

-- Global Depository Receipts and American Depository Receipts proceeds from abroad may be retained without restrictions except for an end-use ban on investment in real estate and stock markets. FIPB approval is required in some cases. Up to \$1 million per year may be remitted for transfer of assets into India.

-- Foreign institutional investors (FII) may transfer funds from Rupee to foreign currency accounts and vice-versa at the market exchange rate. They may also repatriate capital, capital gains, dividends, interest income, and any compensation from the sale of rights offerings, net of all taxes, without RBI approval. The RBI authorizes automatic approval to Indian industries for the payment associated with foreign collaboration agreements, royalty, and lump sum fees for transfer of technology and payments for the use of trademark and brand names with no limits. Royalties and lump sum payments are taxed at 10%.

-- Foreign banks may remit profits and surpluses to their headquarters, subject to the banks' compliance with the Banking Regulation Act, 1949. Banks are permitted to offer foreign currency-Rupee swaps without limits to enable customers to hedge their foreign currency liabilities. They may also offer forward cover to non-resident entities on FDI deployed after 1993.

Expropriation and Compensation

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India's image as an investment destination was tarnished in 2010 and 2011 by high profile graft cases in the construction and telecom sectors, exacerbating existing private sector concerns about the government of India's uneven application of its policies. In October 2012, India's Supreme Court cancelled 122 telecom licenses and the authorized spectrum held by eight operators under what came to be known as the 2G scandal. Some of the operators affected by this cancellation stated in media reporting that they may exit India rather than wait for new market rules to be issued. The U.S. Government continues to urge the Government of India to foster an attractive and reliable investment climate by reducing barriers to investment and minimizing bureaucratic hurdles for businesses. India and its political subdivisions would benefit from providing a secure legal and regulatory framework for the private sector, as well as institutionalized dispute resolution mechanisms that expedite commercial disagreements.

Dispute Settlement

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Foreign investors frequently complain about a lack of "sanctity of contracts." According to the World Bank, India continues to be the sixth slowest country in the world in terms of the total number of days it takes to resolve a dispute. Indian courts are reported to be understaffed and lacking the technology needed to resolve the current backlog of unsettled cases. Media reports estimate that India has between 30 and 40 million backlogged legal cases countrywide. Former Indian Law Minister Salman Khurshid acknowledged the need to modernize the country's antiquated legal system to support economic growth. According to a 2012 PRS Legislative survey, a local research center and think tank, India has seen an increase of pending cases by 30% over the last decade. In an attempt to align its adjudication of commercial contract disputes with the rest of the world, in 1996, India enacted the Arbitration and Conciliation Act based on the UNCITRAL (United Nations Commission on International Trade Law) model. Foreign awards are enforceable under multilateral conventions like the Geneva Convention. The Indian government established the International Center for Alternative Dispute Resolution (ICADR) as an autonomous organization under the Ministry of Law and Justice to promote the settlement of domestic and international disputes through alternate dispute resolution. The World Bank funded ICADR to conduct training for mediators in commercial disputes settlement.

India is a member of the New York Convention of 1958 on the recognition and enforcement of foreign arbitral awards. Despite having signed this agreement, the Embassy is aware of several cases in which Indian firms have filed spurious cases with Indian courts to delay paying the awards granted in arbitration to the U.S. party. India has yet to become a member of the International Center for the Settlement of Investment Disputes. The Permanent Court of Arbitration (PCA, The Hague) and the Indian Law Ministry agreed, in 2007, to establish a regional PCA office in New Delhi to provide an arbitration forum to match the facilities offered at The Hague at a far lower cost. Since then, no further progress has been made in establishing the office. In November 2009, the Department of Revenue's Central Board of Direct Taxes established eight dispute resolution panels (DRPs) across the country to settle the transfer-pricing tax disputes of domestic and foreign companies in a faster and more cost-effective manner.

The government is currently pursuing local content requirements in specific areas including ICT, electronics, and clean energy to increase the manufacturing sector's contribution to GDP. Foreign investors in India express concern about these policies and the negative impact they may have on India's investment climate, especially if the GOI applies local content requirements to the private sector. The GOI has already issued finalized notifications on local content requirements for ICT equipment in government procurement. http://commerce.nic.in/whatsnew/National_Manufacturing_Policy2011.pdf

Companies are free to select the location of their industrial projects. Foreign investors complain that antiquated land acquisition laws and uneven zoning regulations prevent them from establishing factories in their preferred location. The Ministry of Commerce and Industry, in recognition of the trouble foreign and domestic investors experience in acquiring land, has set aside land for 14 integrated industrial townships called National Investment and Manufacturing Zones (NIMZs). NIMZs offer investors a one-stop-approval process for investment; state-of-the-art infrastructure; pre-zoned land for industrial use; and other tax benefits. Seven basic NOC's (No Objection Certificate's) are required for almost all investments and projects:

1. Tree Authority
2. Storm Water and Drain Department
3. Sewerage Department
4. Hydraulic Department
5. Environmental Department (concerned with debris management)
6. Traffic and Coordination Department
7. CFO (fire department clearance)

Visa Regulations: Foreign nationals executing projects and/or contracts in India are required to obtain an "employment" visa. All foreigners (including foreigners of Indian origin) visiting India for more than 180 days - - Student Visa, Medical Visa, Research Visa and Employment Visa -- are required to register with the Foreigners Regional Registration Officer (FRRO) in Delhi or the Foreigners Registration Officer (FRO) in their jurisdiction within 14 days of their arrival.

The employment of foreigners for periods longer than 12 months requires the approval of the Ministry of Home Affairs (MHA). Recently, MHA eased the rule requiring foreign nationals traveling to India on a multiple-entry Indian tourist visa to wait a minimum of two months between visits to India, eliminating it entirely for most travelers.

The Department of Telecommunications under the Ministry of Communications and Information Technology closely monitors the employment of foreign nationals in the telecom sector. Senior leadership and managers of the security operations, among others, are required to be citizens of India or obtain a security clearance from the Ministry of Home Affairs (MHA). More details regarding this and related rules are available on the MHA website: <http://mha.nic.in/foreignDiv/pdfs/TourVISA-Schm.pdf>.

Taxes: The GOI provides a 10-year tax holiday for knowledge-based start-ups. Many states use local tax incentives to attract investment, and these benefits vary by state and by sector. Recent Government of India efforts to strengthen general anti-avoidance rules (GAAR) and expand tax authorities' purview to collect taxes retrospectively on the indirect transfer of shares have created concerns and uncertainties for foreign investors. A coordinated international effort to dissuade the government from implementing these laws in 2012 resulted in a one-year reprieve that may be extended to 2016. Private industry remains hopeful the Government of India will follow through with promises to overhaul India's direct and indirect tax regime. In 2009, the Government of India announced its intention to implement a Goods and Services Tax (GST) and streamline its Direct Tax Code (DTC). GST seeks to standardize taxes levied at all points in the supply chain concurrently by both the central and state governments. A GST would replace and harmonize India under one tax regime by eliminating national and state Value-Added Taxes (VATs), central excise taxes, and a number of other state-level taxes. Parliamentary gridlock and uneven support from the state governments have stalled progress. GST is considered by many economists to be one of the most critical reforms the government could undertake. Some economists estimate that moving to GST could increase India's GDP growth by 2%.

Exports: In August 2009, MOCI released its foreign trade policy for fiscal years 2009-14, which highlighted various incentives for exporters with a particular emphasis on labor intensive sectors such as textiles, processed foods, leather, gems and jewelry, tea, and handloom-made items. The duty credit extended to exporters under this scheme is 3% of the free-on-board (FOB) export value. Exporters are also allowed to import machinery and capital goods duty free. More information can be found here: <http://dgft.gov.in/>

Right to Private Ownership and Establishment

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Foreign and domestic private entities are allowed to establish and own businesses in trading companies, subsidiaries, joint ventures, branch offices, project offices, and liaison offices, subject to certain sector-specific restrictions. The Government of India does not permit investment in real estate by foreign investors, except for company property used to do business and for the development of most types of new commercial and residential properties. FII's can now invest in Initial Public Offerings (IPOs) of companies engaged in real estate. They can also participate in pre-IPO placements undertaken by such real estate companies without regard to FDI stipulations.

To establish a business, various government approvals and clearances are required including incorporation of the company and registration under the State Sales Tax Act and Central and State Excise Acts' zoned area; obtain environmental site approval; seek authorization for electricity and financing; and obtain appropriate approvals for construction plans from the respective state and municipal authorities. Promoters also need to obtain industry-specific environmental approvals in compliance with the Water and Air Pollution Control Acts. Petrochemical complexes, petroleum refineries, cement thermal power plants, bulk drug makers, and manufacturers of fertilizers, dyes, and paper, among others, must obtain clearance from the Ministry of Environment and Forests.

The Foreign Exchange Management Regulations and the Foreign Exchange Management Act set forth the rules that allow foreign entities to own immovable property in India and convert foreign currencies for the purposes of investing in India. These regulations can be found (http://rbi.org.in/scripts/BS_FemaNotifications.aspx?Id=175) and (<http://www.rbi.org.in/scripts/fema.aspx>). A foreign investment via the automatic route is allowed the same rights as a citizen for the purchase of immovable property in India in connection with an approved business activity

Protection of Property Rights

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India has adequate copyright laws, but enforcement is weak and piracy of copyrighted materials is widespread. India is a party to the Berne Convention, UNESCO, and the World Intellectual Property Organization (WIPO). In 2012, India amended its copyright laws and signed WIPO's Beijing Treaty on the Protection of Audiovisual Performances. However, the copyright law still contains several broad exceptions for personal use and "fair dealing," weak protection against unlawful circumvention of technological protection measures, and lacks an effective notice and take-down system for online infringing materials. India updated its trademark law in recent years to bring it closer to international standards for filing and granting trademarks. India's Intellectual Property Office plans to implement trademark application filing under the Madrid Protocol in 2013. This means that a single application can be used to register a trademark in any of the 84 member countries of the Madrid Protocol.

Pharmaceutical and agro-chemical products can be patented in India. Plant varieties are protected by the Plant Varieties and Farmers' Rights Act. Software embedded in hardware may also be patented. However, the interpretation and application of the patent law lacks clarity, especially with regard to several important areas such as: compulsory license, pre-grant opposition provisions, and defining the scope of patentable inventions (e.g., whether patents are limited to new chemical entities rather than incremental innovation). In 2012, India issued its first compulsory license for a patented pharmaceutical. In the case of Natco vs. Bayer, an Indian generics company called Natco sought and was granted a compulsory license under India's laws to make a generic version of Bayer's kidney drug, Nexavar. Indian law does not protect against the unfair commercial use of test data or other data submitted to the government during the application for market approval of pharmaceutical or agro-chemical products. The Pesticides Management Bill (2008), which would allow data protection of agricultural chemical provisions, is stalled in Parliament.

Indian law provides no statutory protection of trade secrets. The Designs Act meets India's obligations under TRIPS (Trade-Related Aspects of Intellectual Property Rights) for industrial designs. The Designs Rules, which detail classification of design, conform to the international system and are intended to take care of the proliferation of design-related activities in various fields. India's Semiconductor Integrated Circuits Layout Designs Act is based on standards developed by WIPO; however, this law remains inactive due to the lack of implementing regulations.

Transparency of Regulatory System

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Despite progress, the Indian economy is still constrained by excessive rules and an overly complex bureaucratic system that has broad discretionary powers. India has a decentralized federal system of government in which states possess extensive regulatory powers. Regulatory decisions governing important issues such as zoning, land-use, and the environment vary between states. Opposition from labor unions and political constituencies slows the pace of reform in land acquisition, environmental clearances, investment policy, and labor rights.

The Central government has been successful in establishing independent and effective regulators in telecommunications, securities, insurance, and pensions. The Competition Commission of India (CCI), India's antitrust body, has started using its enforcement powers and is now taking cases against cartelization and abuse of dominance, as well as conducting capacity-building programs. In December 2012, the Government of India introduced amendments to the Competition Act 2002 that would empower CCI to order search and seizure operations. Currently the commission's investigation wing is required to seek the approval of the local chief metropolitan magistrate for a search and seizure operation. In June 2011, the government enacted rules governing mergers and acquisitions. The Securities and Exchange Bureau of India (SEBI) enforces corporate governance and is well regarded by foreign institutional investors.

In December 2012, the Lok Sabha (Lower House of Parliament) approved the Companies Bill 2011, which replaces the Companies Act 1956. The Bill brings India's corporate governance rules in line with international standards. One aspect of the Bill that concerns foreign investors is a new mandatory rotation of audit partners. The Bill is pending approval from India's Rajya Sabha (Upper House of Parliament) and a pro-forma authorization from the President before it will be in force. which was introduced in Parliament in December 2011.

Efficient Capital Markets and Portfolio Investment

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Indian capital markets are growing. The combined market capitalizations of the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) surpassed \$2.4 trillion in mid-November 2012. Lower than expected GDP growth in India is often linked to the decline in the Indian benchmark index Sensex that is trading nearly 30% lower than its peak in January 2008. Together, the NSE and BSE account for 100% of total Indian stock market turnover. According to the World Federation of Exchanges, both the BSE and NSE rank among the top 10 bourses in the Asia-Pacific region in terms of market capitalization of the companies listed on their platforms. Spot prices for index stocks are usually market-driven and settlement mechanisms are in line with international standards. India's debt and currency markets lag behind its equity markets. Although private placements of corporate debt have been increasing, daily trading volume remains low.

Foreign portfolio investment and activities in India's capital markets are regulated by a complex and onerous foreign institutional investor (FII) regime, analogous to China's Qualified Foreign Institutional Investor regime. The FII regime sets caps on investment and the scope of business. It reflects India's relatively closed capital account, the lack of market access for foreign firms, and the strict regulation of the financial sector. FIIs investing in India's capital markets must register with SEBI, India's Securities and Exchange Commission (SEC) equivalent. They are divided into two categories: regular FIIs, which invest in both equity and debt; and 100% debt-fund FIIs. The list of eligible FIIs includes pension funds, mutual funds, banks, foreign central banks, sovereign wealth funds, endowment and university funds, foundations, charitable trusts and societies, insurance companies, re-insurance companies, foreign government agencies, international or multilateral organizations, broad-based funds, asset management companies, investment managers and hedge funds. FIIs must be registered and regulated by a recognized authority in their home country, meaning many US-based hedge funds cannot register as FIIs. FII registration can be made either as an investor or investor on behalf of its "accounts." "Sub-account" means any person residing outside India on whose behalf investments are made within India by an FII. As of March 2012, there are a total of 1,765 FIIs registered in India and 6,322 sub-accounts.

FIIs invested about \$140 billion in India in 2011-12. While FIIs are allowed to invest in all securities traded on India's primary and secondary markets, unlisted domestic debt securities, and commercial paper issued by Indian companies, the Government of India imposes some restrictions based on investment type. As of November 2012, the allowed limit for FII investment in domestic debt instruments is \$65 billion. Of this, \$45 billion is earmarked for investment in corporate bonds and the remaining \$20 billion is earmarked for investment in government securities. On November 30, the Finance Minister announced an increase in FII limits in government securities and corporate bonds by \$5 billion each, taking the total investment limit in domestic debt to \$75 billion. The RBI is expected to release detailed guidelines soon. In the equities market, FII and sub-accounts can own up to 10% and 5%, respectively, of the paid-up equity capital of any Indian

company. Aggregate investment in any Indian company by all FIIs and sub-accounts is also capped at 24%, unless specifically authorized by that company's board of directors. "Naked short selling" is not permitted. FIIs are not permitted to participate in the new currency futures markets. Foreign firms and persons are prohibited from trading in commodities. SEBI allows foreign brokers to work on behalf of registered FIIs. FIIs can also bypass brokers and deal directly with companies in open offers. FII bank deposits are fully convertible and their capital, capital gains, dividends, interest income, and any compensation from the sale of rights offerings, net of all taxes, may be repatriated without prior approval. NRIs are subject to separate investment limitations. They can repatriate dividends, rents, and interest earned in India and their specially designated bank deposits are fully convertible.

Qualified Foreign Investors (QFIs) are allowed to invest in the equity and debt schemes of mutual funds and equities. QFIs are defined as individuals, groups, or associations that reside in a Financial Action Task Force (FATF)-compliant foreign country, a country that is a signatory to the International Organization of Securities Commissions' (IOSCO) multilateral Memorandum of Understanding, or a signatory of a bilateral MoU with SEBI. Limits on individual and aggregate investment for QFIs are 5% and 10% of the company's paid-up capital, respectively. These limits are over and above the cap earmarked for foreign institutional investors (FIIs) and non-resident individuals (NRIs), who can invest directly in the Indian equity market. Foreign Venture Capital Investors (FVCIs) need to register with SEBI to invest in Indian firms. They can also set up a domestic asset management company to manage the fund. All such investments are allowed under the automatic route, subject to SEBI and RBI regulations and FDI policy. FVCIs can invest in many sectors including software business, information technology, pharmaceutical and drugs, bio-technology, nano-technology, biofuels, agriculture, and infrastructure.

Companies incorporated outside India can raise capital in India's capital market through the issuance of Indian Depository Receipts (IDRs). These transactions are subject to SEBI monitoring per the following conditions: www.rbi.org.in/Scripts/NotificationUser.aspx?Id=5185&Mode=0. Companies are required to have pre-issued, paid-up capital and have free reserves of least \$100 million, as well as an average turnover of \$500 million during the three financial years preceding the issuance. In addition, the company must have been profitable for at least five years preceding the issuance, declaring dividends of not less than 10% each year and maintaining a pre-issue debt-equity ratio of not more than 2:1. Standard Chartered Bank, a British bank which was the first foreign entity to list in India in June 2010, is the only firm to have issued IDRs. In July 2011, a SEBI directive placed restrictions on conversion of actively traded IDRs in shares. The new SEBI directive describes illiquidity as an annualized turnover for the previous six months that is less than 5% of the total numbers of IDRs issued.

External Commercial Borrowing (ECB or direct lending to Indian entities by foreign institutions and non-banking finance companies) is allowed if the funds will be used for outward FDI or domestically for investment in industry, infrastructure, hotels, hospitals, or software. ECBs may not be used for on-lending, working capital, financial assets, or acquiring real estate or a domestic firm. In December 2012, the RBI allowed developers/builders for low cost affordable housing projects and housing finance companies who finance owners of low cost housing units, and micro finance institutions and non-government organizations engaged in micro finance activities to avail themselves of ECBs. As of December 2012, the all-in-costs ceilings for ECBs with an average maturity period of three to five years was capped at 350 basis points over six month LIBOR and 500 points for loans maturing after five years. As the cost of credit is significantly less in overseas markets, Indian companies have borrowed close to \$27.8 billion in foreign currency through ECBs and FCCBs in the January-October 2012 period, of which \$17 billion was via the automatic route. Takeover regulations require disclosure upon acquisition of shares exceeding 5% of total capitalization. SEBI regulations require that any acquisition of 15% or more of the voting rights in a listed company will trigger a public offer. The public offer made by the acquiring entity (i.e., an individual, company, or other legal entity) must be for at least 20% of the company's voting rights. Since October 2008, an owner holding between 55% and 75% of voting rights can acquire additional voting rights of up to 5% without making a public offer (i.e., creeping acquisition). However, the buyer can make a creeping acquisition only by open market purchases and not through bulk/block/negotiated deals or preferential allotment. Furthermore, subsequent to this acquisition, the buyer's total shares should not cross the 75% threshold. RBI and FIPB clearances are required to assume a controlling stake in an Indian company. Cross shareholding and stable shareholding are not prevalent in the Indian market. SEBI regulates hostile takeovers.

Competition from State Owned Enterprises

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India's public sector enterprises (PSEs), both at the central and state levels, play an important role in the country's industrialization. As of 31st May 2012, there were as many as 249 CPSEs (excluding 7 insurance companies). The number of profit making Central Public Sector Enterprises (CPSEs) increased steadily from

143 CPSEs in 2004-05 to 160 CPSEs in 2010-11. The manufacturing sector constitutes the largest component of investment in CPSEs (45%) followed by services (35%), electricity (12%), and mining (8%). Foreigners are allowed to invest in these sectors. The Ministry of Heavy Industries and Public Enterprises' Department of Public Enterprises oversees CPSEs. CPSEs have a Board of Directors, wherein at least one third of the directors should be externally appointed without being promoters or relatives of promoters. The chairman, managing director, and directors are appointed independently. Companies can appoint private consultants, senior retired officers, and politically affiliated individuals to their boards. A detailed CPSE guideline on corporate governance is listed in this website: dpe.nic.in/newsite/gcgcpcse2010.pdf.

As of 2011, the government had granted five CPSEs - Indian Oil Corporation, NTPC Limited, Oil and Natural Gas Corporation, Coal India Limited (CIL) and Steel Authority of India - "Maharatna" status, which allows the management greater financial and operational freedom to expand the CPSE's operations. Maharatna-designated CPSEs are allowed to invest up to \$1.1 billion without government approval. The government plans to continue divesting itself of CPSEs, but intends to retain at least 51% ownership. Foreign investors are allowed to buy equity stakes in Maharatna and Navratna status companies via IPOs.

Although there do not appear to be systemic advantages, CPSEs in some sectors enjoy pricing and bidding advantages over their private sector and foreign competitors. Over the last few years the government has increased the pace of reducing its equity ownership in CPSEs, although there are no plans to sell majority shares of CPSEs to the private sector or to list more than 50% of the shares on any of the Indian stock exchanges.

Corporate Social Responsibility

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The passage of the Companies Bill will mark a dramatic change in corporate social responsibility because the law includes a minimum requirement of spending on CSR activities companies are expected to meet. Once passed, the new legislation encourages publicly-held companies to spend 2% of annual their profits on CSR-related activities. In the proposed contribution guidelines that accompany the Bill, companies generating \$200 million or more in sales, with a net worth greater than \$100 million, and that have earned annual profits greater than \$1 million for three consecutive years must report their CSR expenditures or provide an explanation of why the company did not meet the minimum-voluntary CSR spending recommendation. Companies that do not report could be subject to penalties. New guidelines following the passage of the Companies Bill passage have not yet been released on the Ministry's website and CSR activities are not defined in the draft legislation. While there is wide-spread support for encouraging more CSR activities in India, some companies have expressed concern about the lack of clarity and enforcement of the rules proposed in the Bill.

Foreign companies operating in India should verify if they are subject to the Ministry of Corporate Affairs' "National Voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business," which encourages large companies to voluntarily spend 2% of their profits on corporate social responsibility (CSR) activities. The guidelines also require companies to disclose details regarding their CSR-related expenditures:

www.mca.gov.in/Ministry/latestnews/National_Voluntary_Guidelines_2011_12jul2011.pdf

In 2012, Microsoft India was a semifinalist in the annual Secretary of State's Award for Corporate Excellence because of its significant contributions to improving environmental awareness in India.

NGO's working in India on CSR includes:

- ICCSR, the Indian Centre for Corporate Responsibility <http://www.iccsr.org/>
- Transparency International India (TII) <http://www.transparencyindia.org/>

TII sponsors the Advocacy and Legal Action Center, which runs an Anti-Corruption Hotline and provides training sessions on corporate governance and CSR.

Political Violence

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There were no reported politically motivated attacks on U.S. companies operating in India in 2012.

In Andhra Pradesh, protests, strikes, and violence related to the creation of a separate Telangana state continued and seem likely to continue into the foreseeable future. Local groups lodged complaints and threatened protests against U.S. companies, such as Google and Facebook, following the release of the YouTube *Innocence of Muslims* video but no violence occurred. Communal tensions and violence in

Hyderabad's Old City disrupted tourism and business in that area, but no U.S. companies were reported in the media to have been affected. Although the violence is restricted to certain areas and U.S. companies are generally not affected, city-wide strikes have the ability to interfere with operations.

There continue to be outbursts of violence related to insurgent movements in Jammu and Kashmir and similar events in some northeastern states. Maoist/Naxalite insurgent groups remain active in some eastern and central Indian states, including the rural areas of Bihar, Jharkhand, Chhattisgarh, West Bengal, and Orissa. Travelers to India are invited to visit the Department of State travel advisory website at: travel.state.gov/travel/cis_pa_tw/cis/cis_1139.html for the latest information and travel resources.

Corruption

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While India's struggle with fighting corruption has heavily influenced Parliamentary sessions, media, and the public debate over the last year, little concrete action has been taken to curb the problem. Anti-corruption activist Arvind Kejriwal launched a series of corruption allegations against some of India's richest and most high-profile individuals, including a senior cabinet minister, family members of the ruling party's leader, and the president of the leading opposition party. U.S. firms continue to point to corruption as the single greatest disincentive to doing business in India. In private conversations, foreign firms note the lack of transparency in the rules of governance, extremely cumbersome official procedures, and excessive and unregulated discretionary powers afforded to politicians and lower-level bureaucrats as major obstacles to investing in India.

India's ranked 94 out of 174 countries surveyed in Transparency International's Corruption Perception Index in 2012. India's ranking, despite the national attention on the issue of combating corruption, was nearly identical to the previous year's ranking of 95 out of 183 countries. The legal framework for fighting corruption is addressed by the following laws: the Prevention of Corruption Act, 1988; the Code of Criminal Procedures, 1973; the Companies Act, 1956; the Indian Contract Act, 1872; and the Prevention of Money Laundering Act, 2002. Anti-corruption laws amended since 2004, granted additional powers to vigilance departments in government ministries at the central and state levels and raised India's Central Vigilance Commission (CVC) to be a statutory body. In May 2011, the GOI ratified the United Nations Convention against Corruption. In 2011, the Prime Minister had set an ambitious Parliamentary agenda to pass legislation intended to curb corruption. His arsenal of Bills aimed at reducing corruption included laws to create a national anti-corruption ombudsman, protect whistleblowers, eliminate corruption in government procurement, punish bribery of foreign public officials, address grievances against poor or corrupt delivery of government services and amendments to the *Prevention of Money Laundering Act* designed to expand the definition of money laundering. Most of these bills, however, remain stalled in Parliament.

The national Right to Information Act, 2005, and equivalent state acts function similarly to the U.S. Freedom of Information Act, requiring government officials to furnish information requested by citizens or face punitive action. The increased computerization of services, coupled with central and state government efforts to establish vigilance commissions, is opening up avenues to seek redress for grievances.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: <http://www.justice.gov/criminal/fraud/fcpa/>

OECD Antibribery Convention: The OECD Antibribery Convention entered into force in February 1999. As of March 2009, there are 38 parties to the Convention including the United States (see <http://www.oecd.org/dataoecd/59/13/40272933.pdf>). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. India is not a party to the OECD.

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (<http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of

issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. India signed the agreement in 2005 and ratified the agreement in 2011.

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the U.S. Commercial Service can provide assistance with navigating the host country's legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company's overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department's Advocacy Center and State's Office of Commercial and Business Affairs <http://export.gov/advocacy/>. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center "Report A Trade Barrier" Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA: The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above. The DOJ and SEC recently published a guide to the FCPA, which can be found at <http://www.justice.gov/criminal/fraud/fcpa/guide.pdf>.

Anti-Corruption Resources

Additional resources for individuals and companies regarding combating corruption in global markets include the following:

- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: <http://cpi.transparency.org/cpi2011/>. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See: <http://www.transparency.org/publications/gcr>
- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 213 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See <http://info.worldbank.org/governance/wgi/index.asp>. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://data.worldbank.org/data-catalog/BEEPS>.
- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory

environment. See <http://www.weforum.org/s?s=global+enabling+trade+report>.

- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>.
- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

Bilateral Investment Agreements

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As of July 2012, India had concluded 82 bilateral investment agreements, including with the United Kingdom, France, Germany, Switzerland, Malaysia, and Mauritius. Of these, 72 are already in force. The complete list of agreements can be found at: http://www.finmin.nic.in/bipa/bipa_index.asp. In early 2012, media reported that Coal India lost in arbitration against an Australian firm. The Australian firm reportedly won its case based on more favorable treaty language from a third country investment treaty. Since this ruling, several more cases are rumored to be in process. In February 2011, India signed Comprehensive Economic Cooperation Agreements (CEPAs) with Japan and Malaysia. In 2009, India concluded a CEPA with ASEAN and a free trade agreement (FTA) in goods, services, and investment with South Korea. FTA negotiations with the EU and Canada are still under way and India is negotiating a CEPA with Thailand.

In June 2012, the U.S. and India held the fourth round of Bilateral Investment Treaty (BIT) negotiations. India continues to seek social security totalization agreement with the United States. India recently concluded a totalization agreement with Canada. India has totalization agreements with Belgium, France, Germany, Switzerland, the Netherlands, Hungary, the Czech Republic, Denmark, and Luxembourg. The U.S. Department of Commerce's International Trade Administration's "Invest in America" program and "Invest India," a joint venture between DIPP and the Federation of Indian Chambers of Commerce and Industry, signed a Memorandum of Intent in November 2009, to facilitate FDI in both countries. India and the United States have a double taxation avoidance treaty.

OPIC and Other Investment Insurance Programs

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The United States and India signed an Investment Incentive Agreement in 1987, which covers Overseas Private Investment Corporate (OPIC) programs. OPIC is currently operating in India in the areas of renewable energy and power, telecommunications, manufacturing, housing, services, education, clean water and logistics in infrastructure, and could support an additional \$200 million or more in 2013, in clean energy and other projects in India. OPIC's total exposure in India is approximately \$1.69 billion.

Labor

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Although there are more than 20 million unionized workers in India, unions represent less 5% of the total work force. Most unions are linked to political parties. According to provisional figures from the Ministry of Labor, 2 million work-days were lost to strikes and lockouts during the first nine months of 2012, as opposed to 10 million work-days lost in 2011, and 20 million in 2010, a marked improvement.

Labor unrest occurs throughout India, though the reasons and affected sectors vary widely. India's largest car manufacturer Maruti Suzuki experienced violent strikes in 2012. The company was forced to shut down for a month leading to estimated losses around \$300 million. In 2011, foreign companies in the manufacturing sector, such as General Motors, experienced labor problems in Gujarat, while others in the same sector report excellent labor relations. Some labor problems are the result of workplace disagreements over pay, working conditions, and union representation. Sometimes unrest is related to local political conditions beyond the companies' control. The states of Gujarat, Kerala, Andhra Pradesh, Karnataka, and Rajasthan experience the most strikes and lockouts, according to government statistics. Sectors with the most labor unrest include banks, excluding insurance and pension, and the automobile industry.

India's labor regulations are among the world's most stringent and complex, and limit the growth of the formal manufacturing sector. The rules governing the payment of wages and salaries are set forth in the Payment of Wages Act, 1936, and the Minimum Wages Act, 1948. Industrial wages vary by state, ranging

from about \$3.50 per day for unskilled workers to over \$200 per month for skilled production workers. Retrenchment, closure, and layoffs are governed by the Industrial Disputes Act, 1947, which requires prior government permission to lay off workers or close businesses employing more than 100 people. Permission is not easily obtained, resulting in a high use of contract workers in the manufacturing sector to circumvent the law. Private firms successfully downsize through voluntary retirement schemes. Foreign banks also require RBI approval to close branches.

In August 2010, Parliament passed the Industrial Disputes (Amendment) Bill, 2010, which contains several provisions that: increase the wage ceiling prescribed for supervisors; bring disputes between contractors and contracted labor under the purview of the Ministry of Labor in consultation with relevant state or central government offices; provide direct access for workers to labor courts or tribunals in case of disputes; seek more qualified officers to preside over labor courts or tribunals; establish a grievance process; and empower industrial tribunals-cum-courts to enforce decrees.

Foreign-Trade Zones/Free Ports

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The GOI established several foreign trade zone schemes to encourage export-oriented production. These include Special Economic Zones (SEZ), Export Processing Zones (EPZ), Software Technology Parks (STP), and Export Oriented Units (EOU). The newest category is the National Industrial and Manufacturing Zones, of which there are 14 being established across India. These schemes are governed by separate rules and granted different benefits, details of which can be found at: www.sezindia.nic.in; www.stpi.in; and www.eouindia.gov.in/handbook_procedures.htm.

SEZs are treated like foreign territory and therefore, businesses operating in SEZs are not subject to customs regulations, are not bound by FDI equity caps, receive exemptions from industrial licensing requirements, and enjoy tax holidays and other tax breaks. EPZs are industrial parks with incentives for foreign investors in export-oriented businesses. STPs are special zones with similar incentives for software exports. Export Oriented Units (EOUs) are industrial companies established anywhere in India that export their entire production and are granted: duty-free import of intermediate goods; income tax holidays; exemption from excise tax on capital goods, components, and raw materials; and a waiver of sales taxes.

As part of its new industrial policy, the Government of India has started to establish National Investment and Manufacturing Zones (NIMZ). Nine NIMZs are already in the planning stages and will be established as green-field integrated industrial townships with a minimum area of 5000 hectares. The NIMZ will be managed by a special purpose vehicle, headed by a government official. The available information about NIMZ suggests that foreign and domestic companies that establish their operations in a NIMZ will be able to seek government authorizations via a single approval 'window' for all clearances.

Foreign Direct Investment Statistics

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Table A: Inflow of FDI by top 5 countries (USD million) [FY is April 1 to March 31]

Year	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13*
TOTAL	24,581	27,331	25,888	21,383	35,121	14,788
Mauritius	11,096	11,229	10,376	6,987	9,942	6,757
Singapore	3,073	3,454	2,379	1,705	5,257	1,248
U.S.A.	1,089	1,802	1,943	1,170	1,115	323
U.K.	1,176	864	657	2711	7,874	611
Netherlands	695	883	899	1,213	1409	1,058
FDI/GDP(%)	2.4	3.2	3.7	1.6	2	

GDP is taken at factor cost.

* indicates FDI inflows for April 2012- October 2012 only.

Source: Secretariat for Industrial Assistance, Ministry of Commerce and Industry, GOI

Table B: Inflow of FDI by top 5 countries (Rs billion) [FY is April 1 to March 31]

Year	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13*
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TOTAL	987	1230	1231	973	1,651	804
Mauritius	445	508	497	318	467	367
Singapore	123	157	113	77	247	68
U.S.A.	44	80	92	53	53	17
U.K.	47	38	31	122	364	32
Netherlands	28	39	43	55	66	57
FDI/GDP(%)	2.4	3.2	3.7	1.6	2	

GDP is taken at factor cost

* indicates FDI inflows for April 2012- October 2011 only.

Source: Secretariat for Industrial Assistance, Ministry of Commerce and Industry, GOI

Table C: FDI Inflows by Sector - Top 5 (USD millions)

Sector	April 2000 - October 2012	2012-13*
All Services (fin and non-fin)	35,952	3600
Computers/Software	11,456	251
Telecommunication	12,601	48
Construction - Development - townships, housing and built-up infrastructure including roads	21,430	691

* indicates data is for April - October 2012 only (FY is April 1 to March 31)

Source: Secretariat for Industrial Assistance, Ministry of Commerce and Industry, GOI

Table D: FDI Inflows by Sector - Top 5 (Rps billion)

Sector	April 2000 - October 2012	2012-13*
All Services (fin and non-fin)	1,653	195
Computers/Software	514	13
Telecommunication	573	2
Construction - Development - townships, housing and built-up infrastructure including roads	975	37

* indicates data is for April – October 2012 only (FY is April 1 to March 31)

Source: Secretariat for Industrial Assistance

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Chapter 7: Trade and Project Financing

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How Do I Get Paid (Methods of Payment)

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Import financing procedures adhere to western business practices. The safest method of receiving payments is through an irrevocable letter of credit (L/C). The L/C should be payable in favor of the supplier against presentation of shipping documents through the importer's bank. Importers open L/Cs valid for three to six months depending upon the terms of the agreement. Typically L/Cs are opened for a period of time to cover production and shipping, and they are normally paid within seven working days of the receipt of goods. There are several lines of credit available to U.S. companies.

The most important source for finance for the corporate sector continues to be the capital markets. Companies are not required to obtain prior permission from the GOI to access capital markets, but it is compulsory for companies to obtain Reserve Bank of India's permission before issuing any shares to a non-resident investor. Indian companies can also issue American Depositary Receipts (ADR) and Global Depositary Receipts (GDR) without any value limits. Several steps have been taken to improve liquidity in the ADR / GDR market abroad. Indian companies are increasingly accessing overseas markets to raise finances through these instruments.

Commercial banks continue to be the main source of short-term finance and working capital requirements of Indian firms. Indian Companies also raise funds by issuing commercial paper and debentures, from inter-corporate borrowings, and by accepting public deposits. Several term-lending public financial institutions provide local and foreign exchange loans for new capital investment projects. They also provide deferred payment loans, long-term working capital finance, export credit and stock underwriting services. Lending banks secure their loans with company assets, corporate guarantees from a parent company, and, in some cases, by personal guarantees from company directors.

Local and resident foreign companies are permitted to raise medium-to-long-term loans in foreign currency for projects requiring capital equipment, technology imports, or the purchase of aircraft or ships. The Indian government permits borrowing through suppliers' credits, buyers' credits, syndicated loans, floating-rate notes, revolving underwriting facilities and bonds. The RBI permits loans, which mature within one year, to be repaid from net foreign exchange earnings without prior government approval.

Loans in foreign currencies can be obtained through foreign commercial banks, overseas financial institutions (e.g., the International Finance Corporation and the Asian Development Bank), and foreign export-credit agencies, in addition to Indian development and commercial banks. Indian companies can also raise foreign currency loans in accordance with the guidelines for External Commercial Borrowings (ECBs), issued by the Ministry of Finance. There are no restrictions on the use of such loans, except that they cannot be used for stock market speculation. Once the RBI and Ministry of Finance have approved a loan and its terms, no limitations are placed on interest and principal payments. A firm, however, must report to the RBI through its designated banker every time an interest payment is made.

How Does the Banking System Operate

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India has an extensive banking network, in both urban and rural areas. The banking system has three tiers. These are: the scheduled commercial banks; the regional rural banks, which operate in rural areas, not covered by the scheduled banks; and the cooperative and special purpose rural banks. Timely availability of adequate credit is of utmost importance for the development of the Indian rural economy and agriculture. At present Regional Rural Banks, commercial banks and credit cooperatives, encouraged mainly by the Government of India (GOI), undertake this function. The GOI, during the recent budget, announced that it would encourage private banks to open branches in rural areas, to service both farm and non-farm sectors.

There are approximately 80 scheduled commercial banks, Indian and foreign; almost 200 regional rural banks; more than 350 central cooperative banks, 20 land development banks; and a number of primary

agricultural credit societies. Large Indian banks and most Indian financial institutions are in the public sector. Though public sector banks (27 of them) currently dominate the banking industry, numerous private and foreign banks exist. Several public sector banks are being restructured, and in some cases the government either has already reduced, or is in the process of reducing its ownership. In terms of business, the state-owned banks account for more than 70 percent of deposits and loans. Private banks handle 17 percent of the market, and foreign banks located in metropolitan area account for approximately 13 percent of the market.

[The Reserve Bank of India](#) (RBI) is the central banking institution. It is the sole authority for issuing bank notes and the supervisory body for banking operations in India. It supervises and administers exchange control and banking regulations, and administers the government's monetary policy. It is also responsible for granting licenses for new bank branches. The Deposit Insurance and Credit Guarantee Corporation, an organization promoted and fully funded by the RBI, offers deposit insurance facilities. The RBI directs banks to meet Bureau of Indian Standards guidelines. Indian banks must also adhere to the prudential norms laid down by the Basel Group.

The Reserve Bank of India (RBI) also sets India's exchange-control policy and administers foreign exchange regulations in consultation with the GOI. India's foreign exchange control regime is governed by the FEMA (Foreign Exchange Management Act), enacted with the objective of facilitating external trade and payments and for promoting the orderly development and maintenance of foreign exchange market in India, and to give effect to the liberalization announced in the economic policies.

U.S. Banks and Local Correspondent Banks (Updated 03/13)

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LIST OF U.S. BANKS

American Express Bank Ltd.
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Kaku Nakhate
Country Head and President (India)
Express Towers
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Project Financing

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THE EXPORT-IMPORT BANK OF THE UNITED STATES

The Export-Import Bank (Ex-Im Bank) is the official export credit agency of the United States and supports the purchase of U.S. goods and services by creditworthy Indian buyers that may have difficulty obtaining credit through traditional financing sources. Ex-Im Bank provides U.S. exporters with the financing tools they need to successfully compete for business in India. Ex-Im Bank support gives protection against international political and commercial risk, and gives U.S. exporters the ability to offer competitive financing to their Indian buyers through export credit insurance and loan guarantees. Over the past 70 years, Ex-Im Bank has supported more than \$400 billion of U.S. exports worldwide.

For more info on Ex-Im Bank please visit website: <http://www.exim.gov>.

THE OVERSEAS PRIVATE INVESTMENT CORPORATION

The Overseas Private Investment Corporation (OPIC) is an independent U.S. government agency whose mission is to mobilize and facilitate the participation of U. S. private capital and skills in the economic and social development of less developed countries and areas, and countries in transition from non-market to market economies. OPIC assists U.S. companies by providing financing (from large structured finance to small business loans), political risk insurance, and investment funds. OPIC complements the private sector in managing risks associated with foreign direct investment and supports U.S. foreign policy. OPIC was established as an agency of the U.S. government in 1971 and currently does business in over 150 countries.

For more info on OPIC please visit website: <http://www.opic.gov/>

U.S. TRADE AND DEVELOPMENT AGENCY (USTDA)

The U.S. Trade and Development Agency (USTDA) advances economic development and U.S. commercial interests in developing and middle income countries. The agency funds various forms of technical assistance, feasibility studies, training, orientation visits and business workshops that support the development of a modern infrastructure and a fair and open trading environment. USTDA's strategic use of foreign assistance funds to support sound investment policy and decision-making in host countries creates an enabling environment for trade, investment and sustainable economic development. Operating at the nexus of foreign policy and commerce, USTDA is uniquely positioned to work with U.S. firms and host countries in achieving the agency's trade and development goals. In carrying out its mission, USTDA gives emphasis to economic sectors that may benefit from U.S. exports of goods and services.

For more information, please visit website: www.ustda.gov

ASIAN DEVELOPMENT BANK (ADB)

Asia's premier non-profit financial institution, the Asian Development Bank (ADB), is headquartered in Manila, Philippines. The ADB's major objective is the promotion of the social and economic well being of its developing member countries in Asia and the Pacific. This is achieved by lending funds to projects involving agriculture, energy, industry, transportation, and communication, as well as for social infrastructure projects such as water supply, sewage and sanitation, education, health and urban development. The ADB also invests in, and lends to, the private sector for Build-Own-Operate (BOO) and Build-Operate-Transfer (BOT) infrastructure, industrial and capital market development projects and mobilizes additional resources through co-financing arrangements, including the bank's credit enhancement instruments such as guarantees and complementary financing plans.

To learn more about ADB's partnership with India, please visit:
http://www.adb.org/Documents/Fact_Sheets/IND.pdf

The U.S. Department of Commerce maintains a Congressionally mandated Commercial Liaison Office for the ADB (CS ADB). The Office's mission is to help American firms access, enter and expand in Asian markets that benefit from ADB assistance. The office provides counseling, advocacy, project information, and conducts outreach programs in the region as well as in the U.S. to help U.S. firms take advantage of commercial opportunities in countries borrowing from the ADB. To perform its mandate, the office cooperates with the U.S. Director's Office at ADB and works closely with Commercial Service posts in the region. An American Senior Commercial Officer heads the office, assisted by two Commercial Specialists.

THE WORLD BANK

The [World Bank Group](http://www.worldbank.org) is one of the world's largest sources of development assistance. The World Bank supports the efforts of developing country governments to build schools and health centers, provide water and electricity, fight disease, and protect the environment. The "World Bank" is the name that has come to be used for the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). Together these organizations provide low-interest loans, interest-free credit, and grants to developing countries. For information on World Bank engagement with India, please visit: <http://www.worldbank.org.in/>

The World Bank's New Delhi office has an active public information center with a large collection of World Bank and other publications on India and international development, and documents on projects financed by the Bank. In recent years, the World Bank's IBRD has been giving support for India's economic policy reforms and expanded social and environmental programs.

The U.S. Department of Commerce maintains a Commercial Liaison Office at the World Bank. The Office's mission is to help American firms access, enter and expand in markets that benefit from World Bank assistance. The office provides counseling, advocacy, project information, and conducts outreach programs in the region as well as in the U.S. to help U.S. firms take advantage of commercial opportunities in countries borrowing from the World Bank.

INTERNATIONAL FINANCE CORPORATION (IFC)

The International Finance Corporation (IFC) promotes sustainable private sector investment in developing countries as a way to reduce poverty and improve people's lives. IFC is a member of the World Bank Group and is headquartered in Washington, DC. It shares the primary objective of all World Bank Group institutions: to improve the quality of the lives of people in its developing member countries. Established in 1956, IFC is the largest multilateral source of loan and equity financing for private sector projects in the developing world. It promotes sustainable private sector development primarily by financing private sector projects located in the developing world; helping private companies in the developing world mobilize

financing in international financial markets; providing advice and technical assistance to businesses and governments.

Although the IFC coordinates its activities in many areas with the other institutions in the World Bank Group, the IFC generally operates independently as it is legally and financially autonomous with its own Articles of Agreement, share capital, management and staff. The IFC fosters sustainable economic growth in developing countries by financing private sector investment, mobilizing capital in the international financial markets, and providing advisory services to businesses and governments.

For more information on IFC please visit <http://www.ifc.org>.

THE MULTILATERAL INVESTMENT GUARANTEE AGENCY

The Multilateral Investment Guarantee Agency (MIGA), a member of the World Bank group, supplements the activities of the IBRD (International Bank for Reconstruction and Development), IFC (International Finance Corporation) and other international development finance institutions. It complements the activities of national and regional development insurance through co-insurance and reinsurance agreements with these institutions, bilateral exchanges of information, and its membership in the Berne Union. MIGA issues guarantees against noncommercial risks for investments in its developing member countries. MIGA guarantees cover the following risks: currency transfer, expropriation, war and civil disturbance and breach of contract by a host government.

Since its inception in 1988, MIGA has issued nearly 800 guarantees worth more than \$14.7 billion for projects in 91 developing countries. MIGA is committed to promoting socially, economically, and environmentally sustainable projects that are above all, developmentally responsible. The agency mobilizes additional investment coverage through its Cooperative Underwriting Program (CUP), encouraging private sector insurers into transactions they would not have otherwise undertaken, and helping the agency serve more clients.

For more information please visit <http://www.miga.org>.

Web Resources

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U. S. Government web resources:

Overseas Private Investment Corporation <http://www.opic.gov>

Export-Import Bank of the United States <http://www.exim.gov>

U.S. Trade and Development Agency <http://www.tda.gov>

Small Business Administration Office of International Trade <http://www.sba.gov/oit/>

Commodity Credit Corporation

<https://www.fsa.usda.gov/FSA/webapp?area=fsahome&subject=landing&topic=landing>

U.S. Agency for International Development <http://www.usaid.gov>

Multilateral Development Bank web resources:

Asian Development Bank <http://www.adb.org/countries/india/main>

The World Bank <http://www.worldbank.org>

Multilateral Investment Guarantee Agency <http://www.miga.org>

International finance Corporation <http://www.ifc.org>

State Bank of India and associates:

State Bank of Bikaner and Jaipur (SBBJ) <https://www.sbbjbank.com/>

State Bank of Hyderabad (SBH) <http://www.sbhyd.com>

State Bank of India (SBI) <http://www.sbi.co.in>

Nationalized banks:

Bank of India <http://www.bankofindia.co.in/english/home.aspx>

Bank of Maharashtra <http://www.bankofmaharashtra.in/>

Central Bank of India <https://www.centralbankofindia.co.in/intro.html>

Corporation Bank <http://www.corpbank.com>

Indian Overseas Bank <https://www.iobnet.co.in/>

Oriental Bank of Commerce <https://www.obcindia.co.in/obcnew/site/index.aspx>

United Bank of India <http://www.unitedbankofindia.com/>

Canara Bank <http://www.canarabank.com/>

Syndicate Bank <http://www.syndicatebank.com/>

Financial Institutions:

Credit Guarantee Fund Trust for Small Industries (CGTSI) <http://www.cgtsi.org.in>
Economic Development Corporation Limited, Goa – <http://www.edc-goa.com>
Export-Import Bank of India – <http://www.eximbankindia.com>
Himachal Pradesh Financial Corporation (HPFC) - <http://hpfc.nic.in/>
Indian Renewable Energy Development Agency Limited (IREDA) - <http://www.ireda.in/>
Industrial Development Bank of India (IDBI) – <http://www.idbi.com>
Industrial Investment Bank of India Limited (IIBI) – <http://www.iibilttd.com>
Power Finance Corporation Limited – <http://www.pfcindia.com>

Insurance Companies:

Agriculture Insurance Company of India Limited <http://www.aicofindia.com/AICEng/Pages/Default.aspx>
Export Credit Guarantee Corporation of India Limited (ECGC)
<https://www.ecgc.in/>
Insurance Regulatory and Development Authority <http://www.irdaindia.org/>
Life Insurance Corporation of India (LIC)
<http://www.licindia.com/dbs-index.htm>
General Insurance Corporation of India <http://gicofindia.com/index.php?lang=en>
Oriental Insurance Company Limited (OICL) <http://orientalinsurance.nic.in/>
SBI Life Insurance Company Limited (SBI LIFE) <http://www.sbilife.co.in/>

Securities and Exchanges:

Securities and Exchange Board of India <http://www.sebi.gov.in/>
Inter-connected Stock Exchange of India Limited (ISE) <http://www.iseindia.com/>
National Securities Depository Limited (NSDL) <http://www.nsdl.co.in/>
National Stock Exchange (NSE), India <http://www.nse-india.com/>
Stock Exchange, Mumbai (BSE) <http://www.bseindia.com/>

Other Nationalized banks: <http://www.iba.org.in/viewmembanks.asp?id=1>

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Chapter 8: Business Travel

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Business Customs

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One of the most striking features about India is the size and diversity of the country. Given its vastness and variety, there is no single way to understand India. That said, there are a couple of major issues that business visitors should keep in mind:

The sense of time is much different for Indians than it is for Americans. If there is a business event such as a cocktail hour at night, it may begin at 7, but expect that people will not show up until an hour or so later. Although many Indians are aware of Americans' adherence to time, business meetings can also start late, so it's important to keep your schedule flexible.

It is considered polite in India to inquire about dietary preferences, since Hindus abstain from beef, Muslims abstain from pork, and Indians of many religions practice vegetarianism.

For your reference, some popular English-language guidebooks include: Lonely Planet India, Fodor's India, and the India Eyewitness Travel Guide.

Travel Advisory

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The U.S. Department of State consular information sheet for India can be found at:

http://travel.state.gov/travel/cis_pa_tw/cis/cis_1139.html

We strongly urge U.S. travelers to review this information before their trip, which includes updated safety and security information.

Visa Requirements

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A passport and visa are required for U.S. citizens traveling to India for any purpose. The U.S. Government **cannot** assist travelers who arrive in India without proper documentation.

The Indian Embassy outsources visa collection and delivery processing to [Travisa Outsourcing](#):

1731 21ST. ST. NW,
Washington, DC 20009
<http://indiavisa.travisaoutsourcing.com/>

However, the Embassy in Washington, D.C. and Consulates in New York, San Francisco, Chicago and Houston will continue to receive and service emergency visa cases from applicants of Indian origin on extreme compassionate grounds. They will also continue to directly accept visa applications from diplomatic/official/laissez-passers passport holders.

For current entry and customs requirements for India, travelers may contact the Embassy of India at : 2536 Massachusetts Ave., NW, Washington, DC 20008 (202-797-4693) or the nearest Consulate General: Chicago (312-595-0405/0410), Houston (713-626-2148/9), New York (212-774-0600/0610/0662) or San Francisco (415-668-0683/0662).

Information is also available at: <http://www.indianembassy.org/>

U.S. Companies that require travel of foreign businesspersons to the United States can go to the following link at the State Department Visa Website: http://travel.state.gov/visa/visa_1750.html

Telecommunications

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While telecommunication service is generally adequate in India, knowing what digits to dial can be a little complicated, especially between landlines and cell phones, and when making international calls. The following dialing instructions are worth keeping handy:

Caller in USA to Local Cell Phone	[011]+91+Local Cell number
Caller in USA to Local Landline	[011]+91+AC+Number
Local landline to int'l number	00+CC+AC+Number
Local landline to local long distance	0+AC+Number
Local Landline to Local Cell phone	Local cell number
Local Cell to India Landline	0+AC+number
Local Cell to Local Cell	Local cell number
Local Cell to Local Cell (in another city)	0+Cell number
Local Cell to Int'l long distance	00+CC+AC+Number

AC = area code

CC = country code

The country code for India is 91

Major Indian area codes:

Ahmedabad	79
Bangalore	80
Chennai	44
Delhi	11
Hyderabad	40
Kolkata	33
Mumbai	22
Pune	20

Transportation

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To and From India

There are just a few direct flights to India from the United States on a U.S. carrier. Flight times are 14-16 hours. Air India also flies direct.

<u>Destination</u>	<u>Carrier</u>	<u>Departure City</u>
New Delhi	United	Newark
Mumbai	United	Newark

Getting to South or East India from the United States requires connecting, with the most and fastest options through Europe. United/Lufthansa has a flight connecting through Frankfurt, Delta/Air France through Paris, and British Airways through London. Travelers from the West Coast might consider going through Bangkok or Singapore.

Within India

Travel by road in India is dangerous. A number of U.S. citizens have suffered fatal traffic accidents in recent years. Travel at night is particularly hazardous. Buses, patronized by hundreds of millions of Indians, are convenient in that they serve almost every city of every size. However, they are usually driven fast, recklessly, and without consideration for official rules of the road. Trains are somewhat safer than buses, but train accidents still occur more frequently than in developed countries.

In order to drive in India, one must have either a valid Indian drivers' license or a valid international drivers' license. However, the vast majority of foreign visitors to India hire a car and driver. This is highly recommended. Travelers should remember to use seatbelts in both rear and front seats where available, and to ask their drivers to maintain a safe speed.

Heavy traffic is the norm and includes (but is not limited to) overloaded trucks and buses, scooters, pedestrians, bullock and camel carts, horse or elephant riders en route to weddings, and free-roaming livestock. Traffic in India moves on the left. It is important to be alert while crossing streets and intersections, especially after dark as traffic is coming in the “wrong” direction (*i.e.*, from the left).

If a driver hits a pedestrian or a cow, the vehicle and its occupants are at risk of being attacked by pedestrians. Such attacks pose significant risk of injury or death to the vehicle's occupants or at least of incineration of the vehicle. It can thus be unsafe to remain at the scene of an accident of this nature, and drivers may instead wish to seek out the nearest police station.

Language

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Although English is considered to be the official language of business, it is important to keep in mind that the American accent is very difficult for the Indian ear to understand – likewise, the Indian accent is often difficult for Americans to understand – so at times, we remain divided by a common language. Remember to speak slowly and clearly.

India has a diverse list of spoken languages among different groups of people. At least 30 different languages and around 2000 dialects have been identified, sixteen of which can be found on India's currency. The Constitution of India has stipulated the usage of Hindi as the official language and English as the associate official language for official communication for the national government. Additionally, it contains a list of 22 scheduled languages.

Health

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One of the major challenges for all travelers to India is staying healthy. While adequate to excellent medical care is available in the major population centers, it is usually very limited or unavailable in rural areas, so it is important to take precaution to avoid getting sick in the first place. Most important is to wash your hands at every opportunity with warm soapy water and for at least 20 seconds. Dry them with a paper towel and use the towel to turn off faucet handles.

Wash your hands particularly before you handle food, after you handle food, before you eat, and also before you touch your face. Use an alcohol hand sanitizer when you cannot get to a faucet.

Water and Ice: Do not drink hotel or restaurant water. Only bottled water, soft drinks, beer, wine, hot tea and coffee are considered safe. Order all drinks without ice.

Meat and Fish: All meat and fish should always be cooked well done, ordered well done in restaurants, and eaten hot to prevent tapeworm, trichinosis, and other unwelcome guests.

Salads, unpeeled fruit and vegetables: Generally, it is not safe to eat unpeeled fruit and vegetables. But if you are so inclined, you can prepare them properly in your hotel room (see below). As beautiful as some of the salad bars look, they should be totally avoided in restaurants and in homes where you are not certain about the kitchen practices. Many people get sick from salad bars in the 5 star hotel restaurants.

Decontamination of fresh fruits and vegetables:

Buy only fruits and vegetables without holes or broken skin.

Wash all fruits and vegetables with soap and warm water. Clean each with a vegetable brush to remove dirt. Rinse in cold tap water. Soak all fruits and vegetables for 20 minutes in a 5% bleach solution. Prepare 5% bleach by adding one tablespoon of Clorox (household bleach, US or foreign) to one gallon of water. Rinse the fruits and vegetables with potable bottled water. Drain and allow to dry before refrigerating.

Local milk: The medical staff of the U.S. Embassy does not recommend drinking local milk. In restaurants milk added to tea or coffee is boiled and therefore considered safe. To be sure, ask if the milk has been boiled.

Diarrhea and dysentery are usually caused by ingesting food or water containing viruses, parasites, bacteria, or bacterial toxins. Hands (yours or someone else's), non-potable water and contaminated raw fruits and vegetables are the usual vehicles that carry the offending agent(s) into your mouth and then into the intestinal tract. Diarrhea is frequent loose stools, usually self-limited, and can be treated with supportive measures. Pepto-Bismol is quite effective in most cases. The routine use of Lomotil, Imodium, or antibiotics is discouraged. Dysentery is characterized by frequent loose stools accompanied by severe abdominal pain,

vomiting, fever, and/or blood, mucus, or pus in the stools. If diarrhea persists for longer than 24 hours or any of the symptoms of dysentery develop, you should seek medical care.

As the treatment for diarrhea varies depending on its etiology (bacteria, giardia, amoeba, etc), it is preferable to identify the cause and take only those medications truly necessary. Most diarrhea is self-limited and will resolve in 3–5 days.

In addition to any medications used for diarrhea, it is important to replace the fluid lost in the stool in order to maintain adequate hydration. Many of the symptoms are due to fluid and electrolyte (salts) loss. If adequate fluids cannot be taken, medical advice should be sought.

To replace lost fluids and electrolytes, you should consume large amounts of liquids, especially Oral Rehydration Solution (ORS). ORS packets are available in most upscale hotels. Other helpful fluids include soft drinks and clear soup. Gatorade is not preferred. Eat a bland diet (bananas, rice, apple sauce, and toast). Avoid dairy products until recovery occurs.

Seek medical care in the following cases:

- diarrhea is accompanied by blood
- diarrhea persists for more than 48 hours
- vomiting persists
- cramps are severe and/or are accompanied with persistent abdominal pain
- persistent fever over 101 degrees F
- noticeably reduced urinary output or loss of weight

Most individuals rely on their thirst mechanism to "tell" them when to drink. In temperate climates this is adequate, but the thirst mechanism can become inadequate in tropical climates and individuals can become chronically dehydrated. You should drink at least 2 quarts (8 glasses) of non-alcoholic beverages daily to assist your body in maintaining a good fluid balance. Remember that alcohol is a dehydrating agent and can actually increase risk.

Parasitic Diarrheal Infections are quite common throughout most of India. The two most common types are amebiasis and giardiasis. Diagnosis and treatment require stool examinations.

Many amebic infections are without symptoms. Symptomatic cases may present with mild abdominal discomfort and diarrhea alternating with periods of constipation or acute dysentery with fever, chills, and bloody or mucoid diarrhea.

Giardiasis, while often asymptomatic, may also be associated with a variety of symptoms such as abdominal discomfort, bloating, vomiting, loose malodorous stools, fatigue, weight loss, and "sulfur belches".

Information on vaccinations and other health precautions, such as safe food and water precautions and insect bite protection and malaria information, may be obtained from the Centers for Disease Control and Prevention's hotline for international travelers at 1-877-FYI-TRIP (1-877-394-8747) or via the CDC's Internet site at <http://wwwnc.cdc.gov/travel/destinations/india.htm> For information about outbreaks of infectious diseases abroad consult the World Health Organization's (WHO) website at <http://www.who.int/countries/ind/en/>. Further health information for travelers is available at <http://www.who.int/ith>.

Indian health regulations require all travelers arriving from Sub-Saharan Africa or other yellow-fever areas to have evidence of vaccination against yellow fever. Travelers who do not have such proof are subject to immediate deportation or a six-day detention in the yellow-fever quarantine center. U.S. citizens, who transit through any part of sub-Saharan Africa, even for one day, are advised to carry proof of yellow fever immunization.

Medical insurance: We strongly urge Americans to consult with their medical insurance company prior to traveling abroad to confirm whether their policy applies overseas and whether it will cover emergency expenses such as a medical evacuation. Please see information on medical insurance overseas at http://travel.state.gov/travel/cis_pa_tw/cis/cis_1470.html.

Despite its geographic size, India has adopted one time zone, five and one-half hours ahead of Greenwich Mean Time (GMT). It has not adopted daylight savings time and uses standard time countrywide throughout the year.

Therefore, the time difference between India and the United States varies depending on the time of year. India is nine hours and thirty minutes ahead of Washington, D.C., during daylight savings time and 10 hours and 30 minutes ahead of Washington, D.C., during standard time.

The standard six-day working week is Monday through Friday, 9:30 a.m. to 5:30 p.m., with a half-day on Saturday. Normally lunch is for one hour, between 1:00 p.m. and 2:00 p.m. However, in some large cities such as Mumbai, businesses start working earlier to avoid congested traffic while commuting. Central Government offices are closed on Saturdays. Banking hours are 10:00 a.m. to 2:00 p.m. on weekdays and 10:00 a.m. to 12:00 noon on Saturdays. In major metropolitan cities, several foreign and Indian-owned banks are beginning to provide 24-hour banking services.

Web Resources

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<http://www.state.gov>

<http://travel.state.gov>

<http://www.indianembassy.org>

<http://www.tourisminindia.com/>

<http://www.jetairways.com/>

<http://www.airindia.com/>

<http://www.goindigo.in/>

<http://www.spicejet.com/>

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Chapter 9: Contacts, Market Research, and Trade Events

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- [Trade Events](#)

Contacts

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Commercial Officer: Pat Cassidy
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Commercial Officer: Olga Ford
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U.S. Patent and Trade Office (USPTO)
IPR Attaché: Kalpana Reddy
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Bureau of Industry and Security (BIS)
Export Control Officer: Perry Davis
perry.davis@trade.gov

U.S. Commercial Service Mumbai

U.S. Consulate General
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Bandra East
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Fax: (91–22) 2672 4400

Principal Commercial Officer: Camille Richardson
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U.S. Commercial Service Chennai

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Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://export.gov/mrktresearch/index.asp> Research is available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

Trade Events

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Please click on the link below for information on upcoming trade events.

<http://export.gov/tradeevents/index.asp>
<http://export.gov/india/tradeevents/index.asp>

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Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to prepare U.S. companies to export successfully, connect them with trade opportunities and support them once they do have exporting opportunities.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: <http://www.export.gov/>

For more information on the services the U.S. Commercial Service in India offers to U.S. exporters, please click on the following link: <http://export.gov/india/servicesforu.s.companies/index.asp>

The Commercial Service in India (CS India)

CS India is one of the U.S. Commercial Service's largest operations, with 7 offices, 9 American officers and over 45 Indian staff members, all of whom are based in India. Our staff members have a wealth of sector-specific experience and understand well how to deliver exceptional service to U.S. companies.

Our offices are located in New Delhi, Mumbai, Chennai, Kolkata, Bangalore, Hyderabad, and Ahmedabad. Please see [Chapter 9](#) for information on how to get in touch with us.

Our offices work in conjunction with the entire network of the Commercial Service, which includes domestic U.S. Export Assistance Centers throughout the United States.

To find an office near you, visit: <http://export.gov/usoffices/index.asp>

We are happy to provide U.S. companies with our on-hand research, knowledge, and counseling services free of charge. Contact any of our India offices to schedule a visit or a conference call.

We also offer U.S. companies specific partner search, due diligence, research, and business facilitation services tailored to your company's needs at very nominal fees. Our standard services are listed below. We are also able to offer customized solutions to fit your company's needs.

Gold Key Service

Our best known and most widely used service is our Gold Key Service (GKS). This service is designed to provide business facilitation support for U.S. businesspeople traveling to India to explore local business opportunities. You will receive:

- Appointments with pre-qualified sales representatives and partners, appropriate government officials, related associations and others
- Customized market and industry briefings with U.S. Commercial Service staff in advance of your travel to develop your schedule
- Escort by a U.S. Commercial Service staff member for meetings
- Assistance with travel and accommodation at preferred rates
- Post meeting assistance with U.S. Commercial Service staff to discuss results of meetings and develop appropriate follow-up strategies

Coverage

The GKS is available in 7 Indian cities: New Delhi, Mumbai, Chennai, Kolkata, Bangalore, Ahmedabad, and Hyderabad. Based on your company's goals, as provided by you in a business confidential questionnaire, CS India will provide you with a pre-GKS assessment for one or all of these markets. Then, as part of your schedule development, we will discuss with you which cities we believe to hold the best potential for your product or service to help your company make the best decision on where to travel.

Duration of the GKS and Schedule of Meetings

The GKS is scheduled for a minimum of one day in each selected city. On average, companies will have four pre-screened meetings a day. As appropriate, appointments are scheduled at the Indian companies' offices, or at our offices when needed to eliminate drive time and facilitate additional meetings.

Price and Delivery Time

A GKS costs \$700 for SMEs/\$2300 for large companies for the first day in each city. All GKS requests will be confirmed by the country-wide GKS Program Manager only after the payment is received by the U.S. Commercial Service, New Delhi. Typically six weeks are needed to set up an effective GKS agenda. Please contact Program Manager to inquire about shorter lead times.

GKS Questionnaire and Product/Company Catalogs

A completed GKS questionnaire and 10 sets of company catalogs or literature should be received by CS India at least four to six weeks prior to your GKS program to ensure the best possible service. This allows us to thoroughly identify potential business partners according to your company requirements.

You will be given specific instructions on where to send the catalogs/literature. Please note that appointments with Indian firms will often only be scheduled after they receive your catalogs/literature. Therefore, timely delivery of the U.S. company/product catalogs is critical to ensure high quality meetings.

International Company Profile

An International Company Profile (ICP) is a due-diligence check that helps U.S. companies evaluate potential business partners. The report includes factual data as well as CS India's evaluation to help U.S. firms assess risk, reliability, and capability. The ICP analyzes the overall strength of an Indian company and provides useful information collected from our industry contacts, local publications/press, and other sources.

An ICP provides:

- A detailed background report, based on a variety of research sources, including an on-site or telephone interview with a Commercial Specialist
- A listing of the company's senior management
- Main business activities and product/service lines
- Comments from company references
- Banking and financial information [note: an ICP is not a credit report and, therefore may not contain the detailed financial information that is obtainable from mercantile credit agencies. However, reliable basic financial information is included in the report]
- CS India insight on whether the prospective partner can meet your needs - trading experience, market coverage, stature, business connections in the country

Price and Delivery Time

The following pricing schedule is for a standard ICP in India with a delivery time of 20 business days from receipt of payment:

\$600 for SMEs/\$900 for large companies - for ICP checks conducted within the city and adjoining areas that can be covered within office hours

\$600 for SMEs/\$900 for large companies + actual travel cost - for ICP checks that require a Commercial Service specialist to travel outside the city (not overnight stay)

International Partner Search

For U.S. companies looking for representatives in India to expand business and boost export sales, we will locate, screen, and assess potential qualified overseas sales representatives, agents, distributors, joint venture partners, licensees, franchisees or strategic partners for your products or services.

The International Partner Search (IPS) is designed to help identify suitable Indian companies and distributors who are keen to represent U.S. firms in India. If your firm is small, new to exporting, or if you don't have resources for research or overseas travel, this service provides an easy, economical, quick-access opportunity to enter the Indian market.

Price and Delivery Time

For \$550 for SMEs/\$1400 for large companies per business category per city, the IPS service provides the contacts you need to launch your marketing efforts in India. Turnaround time is 30 working days from the day we receive your company's product literature. As a next step, if you plan a visit to India you may also order our Gold Key Service for appointments with prospective agents and distributors and key government officials relevant for your industry.

IPS Coverage

India is a regionally diverse market, so you may wish to order a separate IPS for each region. The IPS service is available at all our seven posts: Northern India (New Delhi), Eastern India (Kolkata), Western India (Mumbai, Ahmedabad), and Southern India (Chennai, Bangalore, Hyderabad). If you want to do an IPS search in only one of our seven posts, we can help you pick the most appropriate post for your search. CS India prefers to carry out a pre-IPS survey for all IPS requests to assess its feasibility.

Product/Company Catalog

Ten to fifteen sets of product /company catalogs should be received by the CS India at least prior to the expected delivery time of the report.

For more information:

For answers to questions on our product and service offerings, please contact:

Ms. Nisha Wadhawan
Tel: 91-11-2331 6841, Fax: 91-11-2331 5172
Email: nisha.wadhawan@trade.gov

or

Contact your local U.S. Export Assistance Center (USEAC)
To locate the USEAC nearest to you, visit:
<http://export.gov/usoffices/index.asp>

U.S. exporters seeking general export information/assistance or country-specific commercial information can visit <http://www.export.gov>

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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